THE Freeman

IDEAS ON LIBERTY

AUGUST 1965

Freedom's Uneasy Conscience	*George I. Mavrodes*	3
In Tribute to an Unsung Hero	*Ed Fortier*	11
Profits	*Hans F. Sennholz*	15
Planning Experiments in Britain	*George Winder*	23
A Hole in the Dike	*Donald L. Repp*	27
The Flight from Reality: 11. The Domestication of Socialism	*Clarence B. Carson*	29
Self-Government	*Robert K. Newell*	44
On Power and Corruption	*Leonard E. Read*	47
To the Democrats	*Frederic Bastiat*	58
Books:		
The Creative Individual	*John Chamberlain*	61

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OUTSTANDING ADVANTAGES FOR COAST FEDERAL SAVERS

FINANCIAL STRENGTH — Assets over half a billion dollars. Strong reserves and high ratio of cash and government bonds to assure withdrawal of savings immediately on request.

HIGHER EARNINGS — Planned rate for 2nd half 1965 is **4.85%** per year, compounded DAILY, paid semi-annually. Savings held 1 year at this rate earn **4.97%**. First half of 1965 rate was **4.95%** per year.

MAIN OFFICE
9th & Hill, Los Angeles

SAVE-BY-MAIL — We pay postage.

MEMBER:

Federal Savings and Loan Insurance Corp.

Federal Home Loan Bank.

IF IT'S SAFETY YOU WANT MOST—

OPEN YOUR SAVINGS ACCOUNT AT COAST

"A Businessman Looks at Communism Vs. Capitalism"

For your courtesy copy of President Joe Crail's speech, write to:

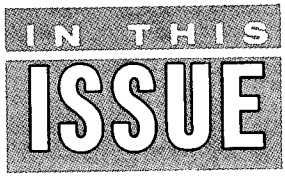
Coast Federal Savings
Post Office Box 5150A
Los Angeles 55, California

5-56A-2

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Freedom, says this philosopher, is not so much the total absence of restraint as the discovery of the true authority on which orderly lives depend. ..... p. 3

A thrilling account of the voluntary response to the disastrous situation after last year's earthquake in Alaska. ..... p. 11

Dr. Sennholz analyzes the three components of so-called profits, the role of each, and the consequences of intervention. ..... p. 15

The Labor government in Britain is harvesting the awkward fruits of excessive central planning. ..... p. 23

A modern version of "the hole in the dike" in a socialized economy. ..... p. 27

Professor Carson explains "The Flight from Reality" that allowed for the domestication of socialism in the United States. ..... p. 29

Until individuals understand the ways and means of self-government, constitutional forms are unlikely to preserve freedom. ..... p. 44

Leonard Read examines various manifestations of power and the way in which individuals are corrupted by each. ..... p. 47

Our old friend Bastiat offers some words of wisdom to the democrats of France in 1850. ..... p. 58

The new inexpensive paperbacked edition of Henry Grady Weaver's **The Mainspring of Human Progress** appeals to John Chamberlain—as it will to you. ..... p. 61

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Freeman

AUGUST 1965 Vol. 15, No. 8

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount – $5.00 to $10,000 – as the means of maintaining and extending the Foundation's work.

Copyright, 1965, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Freedom's Uneasy Conscience," "In Tribute to an Unsung Hero," "The Flight from Reality," and "To the Democrats."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FREEDOM'S UNEASY CONSCIENCE

GEORGE I. MAVRODES

FREEDOM has today a precarious position in our world, a position doubly insecure. It is not simply that there are men who would destroy it. It has never been without this sort of enemy. But now there appears a growing uneasiness among the friends of freedom. We defend it yet, but not without a certain hesitation. Freedom falls today into paradoxes and they trouble us. We seem unable now to take sides simply and decisively for it or against it. We range ourselves by and large in its favor, but the strength ebbs out of our stand. We have an uneasy conscience over freedom.

Examples of this come readily to mind. Shall we crack down on comic books and other literature that seem to be a cause for delinquency? It looks like good sense to do so. Why not dry up the sources of crime as we do of disease? But we see the specter of censorship raising its head. If we patrol the bookstore and the newsstand, do we not kill a long-cherished liberty, the freedom of the press? We have our alternatives. We can keep our hands off, and wonder uneasily whether a free press is properly bought at the cost of ruined lives. Or we can act to cut off the source of crime, opening ourselves to the charge (from within as well as from without) that we have betrayed the cause of freedom. In neither case does conscience rest easy.

Again, what of the communist, the fascist, or anyone else whom

Dr. Mavrodes is Assistant Professor of Philosophy at the University of Michigan, his specialty being the philosophy of religion.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

we have reason to think is out to destroy our liberty? Shall we let him teach, publish, organize? If he does these things effectively and succeeds, he will eliminate these very freedoms themselves. How can we say we have defended liberty if we let him go on? But if we restrict him, have we not ourselves curtailed freedom on the pretext of maintaining it? We are not really content with either alternative.

Our uneasiness over freedom arises, I think, from two mistakes we commonly make, mistakes not unrelated to each other. The first is that we think of freedom too often primarily in negative terms. The second is that we commonly suppose that freedom is primarily a political matter.

I
NEGATIVE THINKING

We are in the habit of defining our freedom in negative terms, as the absence of something. Primarily we oppose it to authority. A man is free, we think, if there is no authority to which he must submit. He is free, we say, to do as he pleases.

We commonly think of the history of freedom in these same terms. Man became free, we think, by shaking off the authority of Aristotle, of the bishops, of the kings who rule by divine right. No one now could tell him how to think, what to believe, whom to serve. When these chains had been broken, humanity stood forth in freedom. Liberty was again abroad in the earth.

Now, I doubt greatly whether the best account we can give of freedom is this one, an account in the terms of the absence of authority to which a man must submit. But if it is the best account, then we may be sure that man will have no deep and lasting interest in that freedom. We are not attracted toward simple absences, and we will not give ourselves for their sake. The presence of apples on a tree or fish in a stream may make a boy wish that there were no fences to keep him out. Apart from some such positive factor, the absence of the fence is valueless. How quickly will children trade the "free" atmosphere of some classrooms for the strong discipline of the football team — or the juvenile gang! We simply will not build our lives around negations.

It is a failure to recognize this fact that places some enthusiasts in the position of trying to force some "freedom" on people who have no interest in it. And it gives grounds to the fears of those who wonder if perhaps men will barter their freedom for security, or jobs, or glory, or any of a multi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tude of other things. Let there be no doubt. Man will certainly exchange this sort of freedom for security or for anything else in which he has an interest. And he will lose nothing by doing so.

Factual Limitations

But is this negative conception of freedom the true one? I think not, though the negation has its genuine, if subordinate, place, from which it draws its plausibility.

To illustrate, let us take freedom of thought. Does this imply that a man may think as he pleases, an idea perhaps expressed by the saying, "Everyone has a right to his own opinion"? Certainly not. No one uses this idea of freedom in those areas of thought in which he is really interested. No chemist supposes that everyone has a right to his own opinion about the atomic weight of sodium. This is not a matter in which we become free by thinking as we please. Who is the genuine free thinker in the field of chemistry? It is the man who resolutely holds his thought to the hard, given data. He places no value on thinking "as he pleases." Rather he is interested in making his thought conform more and more closely to the nature of the physical world. His thought is free exactly in proportion to its not proceeding "as he pleases," but rather in submission to the facts of the given world.

This should give us a clue to the nature of freedom. It is not the shaking off of all authority. Rather, *freedom in any area consists of submission to whatever is genuinely authoritative in that area.* This is the only sort of freedom in which man can be passionately interested.

False vs. Genuine Authority

We can see now how the negative aspect of freedom enters the picture and how men might have mistaken it for the whole picture. For a key phrase in our definition is this: "whatever is genuinely authoritative." Not every submission means freedom; some mean only slavery. There are false "authorities" as well as true ones. The negative side of freedom is a way of dealing with those false authorities, with false claims upon our allegiance and submission. Thus, for example, a politician is not a genuine authority in the field of chemistry. If a chemist is plagued by bureaucrats who dictate how he shall write his formulas, he rightly feels that his freedom of thought is threatened. In the interest of that freedom he must break free of these "authorities." He fights for what looks like a negative liberty, the ab-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sence of these restraints upon his thought.

Actually, however, his interest in breaking free of the false authorities grows out of his desire to submit his thought to the genuine authority. In his laboratory he rejects the authority of the king only for the sake of accepting that of the test tube, the balance, and the flame. If this latter desire is strong and unquestioned, it is natural for us to concentrate on the former while it is in doubt. We give our attention to the struggle against the false authority. Thus, we may come gradually to think of freedom primarily in these negative terms. But when we extend this negative range, when we think of freedom as the absence of all authority, then we fall into destructive paradoxes. If the chemist rejects the test tube along with the king, what have we left? We have no more interest in the "free" fantasies of a so-called chemist than we have in the chemical speculation of a politician. Perhaps less.

Fulfilling One's Destiny

Not only freedom of thought but every genuine freedom displays this character. Each one seeks a submission to its proper authority and welcomes it. In all of life we are looking for what might be called our "destiny," just as the chemist pursues the narrower goal of his professional specialty. Life does not come to us ready made; we make its character as we go. But we also know, however dimly, that there is what might be called an ideal pattern for our lives (not that individuals are to be stereotyped replicas of each other). To find this pattern, this destiny, is to build meaning into my life. It is to fulfill that for which I was made. This is the freedom, or rather the potential freedom of man, and one of the factors which make him unique in the world.

We do not fail to see evidence of this on every side. We are told sometimes that a man must give up some of his freedom if he marries. He can no longer come and go as he pleases, and so on. But marriage goes on, heedless of all this. And those who find the real meaning of it do not maunder about their lost freedoms. They know they have gained freedom, not lost it.

Nor do we rush to the mountains and deserts to live solitary and free. From time immemorial, long before the world was crowded, men banded together and patterned their lives by custom and law. Robinson Crusoe on his lonely isle is not the paradigm of real freedom. Friday adds immeasurably to the possibilities of his

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

liberty as he provided that possibility of social intercourse which is part of Crusoe's destiny as a man.

To Become Free

I have mentioned the "potential" freedom of man. For freedom is not something we find ready made. Rather, we become free, and to a greater or lesser extent. The contemporary chemist is not completely free in his thought about the nature of the physical world. No doubt his ideas are a mixture of truth and fantasy. But if he continues in his work, he may grow in his freedom, and find himself less and less in bondage to old errors. He is becoming free.

So also in the more generalized areas of life. For millennia men have experimented with law in the interest of what life ought to be and hence in the interest of freedom. No doubt there have been both advances and setbacks. Submission to good law makes men more free than submission to bad law. And submission to bad law has probably made men more free than has anarchy, if there ever was a real anarchy. There may even be a principle better than law and beyond it (not short of it) — something which shall carry men to a full freedom which even the law cannot give them. If there is such a thing, we cannot rest until we find it. To stop short of that is to stop short of our destined manhood.

The dance can be taken, I think, as a valuable symbol and illustration of freedom. From ancient times to the present it has fascinated men. Physical movement is part of our life, beginning with the random activity of the infant. We have wanted to fill it with meaning, to raise it to its highest human level. And so the dance has been developed, where all motion is structured, patterned. It is at the far end of the scale from the random movement of the child. The tempo is given by the music, the pattern of steps and gestures comes out of tradition. Every dancer submits himself to these, though of course not every dancer does it in the same way. The dance itself provides for differentiation. One leaps while another bows, and together they go to make one dance.

Now, no dancer who really enters the dance mourns for the loss of the negative freedoms. He does not rebel against the tempo of the music, against the pattern of movement. He may indeed alter and develop them, wanting to make the dance a better one, fuller in its freedom. But he is far from returning to randomness, far from rejecting submission. He

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wishes to make a more sensitive tempo, a richer pattern, so that in submission to these the dancers may find a fuller freedom of motion.

The child, on the other hand, cannot dance. He can move at random, but he is not free enough to dance. And that is because he cannot yet submit. He has not mastered the full human use of muscle and nerve. He is not able yet to follow tempo and structure, and there is much hard work to be done before he can. The dance is a goal before him, measure of his freedom and maturity in the kingdom of the body.

Human life as a whole may be thought of as a dance, one whose whole tempo and pattern must be more complex than that of any part. Into the full dance of the race must go all the individual dances of the thinker, the writer, the manual worker, the artist, and a host of others, no two precisely alike. So also must these dances combine in unique ways in the full life of each individual, filling out his destiny. No doubt this is done imperfectly now, with many a misstep, many a collision, both in public and private. The dance is really for none but men who are free, and none of us here is wholly free as yet. But we may be looking for our freedom, listening, as it were, for the music which expresses our destiny, what our lives ought to be. Giving ourselves to that, as the scientist gives himself to the facts of the physical world, we enter more and more fully into the dance of free men.

A Free Press

We can see now in principle how the problems with which we began must be met. It is hopeless (and valueless) to look for a "free press" which is under submission to nothing. A press may serve the interests of the ruling clique. If it is free of that, it may serve the advertisers' interests, or it may serve the publisher's desire to make money, or to elect his friends, or to "uplift" the community, or to speak the truth, or some other such principle. If it serves nothing, it is not free; it is simply rusty from disuse.

Then when is the publisher truly free in his work? There is no easy answer. He is free when he works according to that principle which is genuinely authoritative in this field, the field of public communication. To state that principle precisely is not easy; let me not pretend to achieve that precision here. But even if we cannot see the principle we need with complete clarity, we may still be confident of the direction in which it lies, and of some which certainly fall short

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of it. No publisher and no press is morally free whose only principle is profit, heedless of the lies spread or the lives broken by crime and lust. Such a press lacks genuine freedom regardless of its relation to the law. And laws which restrict such a press destroy no genuine freedom. They cannot, for there is none.

They may, however, make it somewhat possible for a man to live out his life without fear of slander, or for children to grow up without being seduced into crime and degeneracy. If laws do this, they are helping to keep an area clear for the growth of some other freedom, and are surely justified. In such a case we cannot hesitate over the fear of "censorship." Every book and paper is already censored, regardless of the law. Many have the truth censored out of them because of the author's fear that the truth will not pay. It is a case of choosing between censorships, not of eliminating them entirely. There may possibly be a censorship which is better than that of laws against libel and pornography; there are certainly some which are worse. Let us not have the worse.

Thus, when we see that freedom is primarily positive and not negative, we begin to see the direction in which we must move in order to strengthen it. And we can move in good conscience, not fearing for the loss of purely negative factors.

II
NO POLITICAL SALVATION

The second mistake, I suggested, was that of taking freedom to be primarily a political affair. Constitutions, revolutions, declarations by the heads of states — it is on these that we have often pinned our hopes for the defense and spread of liberty.

There is some justification for this if we think of freedom only in the negative sense. But in promoting genuine positive freedom the role of the state is at most a subordinate one. No constitution, for example, can guarantee freedom of the press. It may, indeed, get rid of one obstacle by making it somewhat awkward for the ruling party to control the press. It is harder to make a law which will effectively keep the desire for profit from enslaving the press to the appetite for scandal. And it is hard, indeed, to see what sort of statute could undertake to fill publishers with a positive desire for communicating nothing but truth. Such a desire, if it is to live at all, must spring from other sources.

In the political realm itself the state cannot generate freedom.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Secret ballots do not of themselves make a voter free. Only a genuine idea of the way in which his vote ought to be cast can do that. Lacking this idea his vote falls under the sway of improper factors without number – his prejudices, his union, his club, his purse, political propaganda, the weather.... His vote is secret, but it is not free.

And in the realm of free thought what can the state do? Can it give to any man that passion for truth, for submission to the facts, which will make him a free and genuine thinker? The most it can do here is to block off some of the grosser interferences. But the real roots of positive liberty must be sought elsewhere.

Where those roots lie I have hinted before, as I mentioned man's search for what his life was meant to be, for his destiny. In this soil only grows the flower of freedom. A man begins to grow free in thought when it dawns on him that his true destiny in this area is to know the truth, and he begins to pursue it. So it is with every freedom. When we see, however dimly, what our lives were meant to be and begin to give ourselves to that vision, we have begun the march toward the true liberty. No doubt there are easier marches. It is often easier to do what is legal rather than what is right, to know what is popular rather than what is true. But if freedom is our interest, we cannot stop short. We are drawn ahead by the goal – it is nothing less than the fulfilling of the whole potentiality of our lives.

IDEAS ON LIBERTY

Life's Purpose

THE CREATOR of life has entrusted us with the responsibility of preserving, developing, and perfecting it. In order that we may accomplish this, He has provided us with a collection of marvelous faculties. And He has put us in the midst of a variety of natural resources. By the application of our faculties to these natural resources we convert them into products, and use them. This process is necessary in order that life may run its appointed course.

FREDERIC BASTIAT, *The Law*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IN TRIBUTE TO

An Unsung Hero

A onetime skeptic recalls how "The System" saved a city.

ED FORTIER

ANCHORAGE. HUNDREDS OF THOUSANDS of words have been written about the great Alaskan earthquake that shattered 52,000 square miles of Alaska on March 27, 1964.

As an Alaskan involved in the great upheaval and its aftermath, I want, from the clarifying distance of a year, to pay tribute to an unsung and sadly neglected hero of the disaster.

The hard-to-sketch calamity conqueror to which honor—or at least full appreciation—is due, is that rather vague, all-embracing thing in our lives known as the "American System" or the "American Way," and the elements of free enterprise, competition, and profit motive that make it work.

This article is reprinted by permission from *The National Observer* of March 22, 1965.

Implied characteristics of those who live by the system are initiative, independence, and freedom to act—all of which I saw bloom in abundance under the most adverse conditions.

Saved by the System

On that fateful and nearly fatal Good Friday evening when the lights were out, and the heat was off, and the phones were dead in a shattered city, it was the System that saved the day.

Many of the experts who arrived two or three days after the quake and seismic waves, described by President Johnson's Federal Reconstruction and Development Commission for Alaska as causing "one of the greatest disasters in the recorded history of the United States," didn't see the System at work in the critical

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

first 48 hours when it was at its best.

From my vantage point in Anchorage's Providence Hospital, largest private hospital in the state, I watched the disaster from the first shudder at 5:36 p.m. until the survival of the state's largest city (estimated population: 80,000) was assured.

My background will help to explain my transformation from a skeptical observer of the worth of the System under maximum pressure to an avowed admirer. From 1951 to 1959, I was employed as a full-time Civil Defense official, starting as regional director and ending as Alaska's first state director.

In restrospect, I now realize that in years of building a Civil Defense framework and foundation in Anchorage and western Alaska, my associates and I never really appreciated what the System can accomplish when allowed to work. I'm not sure that we fully realized government is a servant of the governed.

Plans for an Emergency

I dislike needless government intrusion in my private affairs, but I must admit that at the time I was responsible for emergency planning I espoused the "government knows best and can do the job best" philosophy. My plans, some of which were still intact when the earthquake struck, tried to cover every possible emergency situation with written directives.

The panic and mass hysteria that I feared never developed. The looting and pillaging that I expected just didn't take place.

All the ingredients needed to rip a community apart were present in abundance—earth-shaking terror, fear of the unknown, unfounded warnings that a tidal wave was expected, isolation, below-freezing weather, darkness, loss of communications. But the composite character of the Americans involved refused to crack under the strain.

My first realization that the System is a tangible, living, and essential thing came at Providence Hospital.

Although their hospital seemed to be shaking itself to pieces, not a single nurse or aide left her patients on any of the hospital's five floors. No authority told them to stay with their patients; they just naturally honored an obligation to their profession.

As soon as word spread that Providence was the main emergency medical center, suppliers anticipated needs almost before they developed. A bottling company sent a truck with distilled water and soft drinks.

Representatives of major drug

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

companies were on the job in minutes. When not filling orders, all of which were delivered without cost, they carried stretchers. A bakery kept the bread flowing into the hospital and wholesalers did the same with other foods. A commercial oxygen company had reserve tanks in place within an hour.

None of these free citizens had to be called or given written orders. They came because service, emergency or not, is a prime ingredient of private enterprise.

A Flood of Volunteers

All off-duty workers reported to Providence, and so many volunteers had registered by 8 p.m. that radio stations broadcast the message that no additional help was needed for the present.

No one had to call Anchorage's physicians and surgeons for emergency duty. Despite the fact that almost one-third of the city's doctors lost their homes or other property, the medical profession was at its best in meeting every emergency need.

With the exception of the military forces, which provided massive assistance in manpower and material in every corner of the vast disaster area, the City of Anchorage was government at its best under disaster conditions.

Under the very capable leadership of then Mayor George Sharrock, an airline executive, the city government acted with amazing speed to get utilities in operation.

By Saturday morning, March 28, practically the entire business district was out-of-bounds and under military guard. As broken, sunken streets were repaired, the area of "no entry" diminished each day. By Tuesday all banks were operating and open for deposits or withdrawals. (There were few of the latter.)

Those who wanted to meet the situation by imposing restrictions found an enemy in Anchorage's mayor. Soon after the disaster, Mayor Sharrock was under heavy pressure from higher authorities in government to invoke martial law, ration food and fuel, place an embargo on some shipments. He had faith in the System and refused to buckle under to the "government knows best" element. And the System did not betray his trust.

Early on Saturday morning, I entered a food store near my residence. The inside was rubble, but the store was open for business. A bit hard to find what you wanted, but as long as my grocer had it, his food was for sale.

Working with candles, lanterns, and flashlights, the owner and his crew had stayed up all night to bring slight order out of chaos.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

He knew people would need and want food, and didn't want to disappoint them. There was no discernible hoarding.

This pattern was followed by hundreds of independent merchants in every field. It wasn't easy, but they did it. They had customers to satisfy, payrolls to meet, and bills to pay.

Danger in a Building

An outstanding example of the System was provided by Harry Hill, president of the Lathrop Co., and his son, Donald. The Lathrop Company's new six-story Cordova Building was tilted and appeared so badly damaged it was declared unusable by government inspectors. The company's two-year-old Hill Building, an eight-story structure housing the Federal Aviation Agency's Alaska offices, was damaged to the extent that building officials didn't want repair crews to enter it.

Believing his buildings usable, and knowing them to be useless as empty ghosts, Harry Hill disregarded the advice of government experts. He flew 100 heavy 25-ton jacks to Alaska, and assisted by his son and several brave workmen, began the dangerous task of jacking his buildings back to their original position. Final repairs were completed by late summer and both buildings have been declared safe and are fully occupied. Principal tenants in each are agencies of the Federal government.

Within a week, the American System of produce for profit was going full blast. Unless you wanted to retire from the scene and lick your wounds, there was not time for sitting back.

This ode to the System is not intended in any way to belittle the efforts of the many agencies of government that have aided and are assisting in the rebirth of Alaska.

The fact is, however, that all the assistance would have been useless if Alaskans hadn't demonstrated the will to survive and a determination to stay with their stricken towns and cities.

I have noted that the many echelons of government have a hefty corps of public information officers who recite with great competence their particular agency's role in helping Alaska get back on its feet.

But with the passage of time and mounting evidence that Alaskans are undaunted in their determination to rise above the rubble, there is a growing recognition that the critical early battle was fought in the hearts and minds of the ordinary citizens who refused to quit when defeat seemed almost inevitable. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Profit$

HANS F. SENNHOLZ

ALTHOUGH every businessman aims to earn a "profit," he usually knows very little about the economic nature of his objective. He may even succeed in earning a profit, and yet be unable to explain this excess of proceeds that accrues to him after all expenses are paid.

The same can be said about tax collectors who search for "profits" and aim to seize parts thereof for the state. And the accountants who reveal the "profits" by comparing the business revenue with the expenses. They all look at the totality of net income without any distinction of its various component parts.

The economist who analyzes the economic nature of "profits" actually perceives three entirely different sources of income.

Most proprietors and partners of small businesses who think they are reaping "profits" actually earn what ecnomists call *managerial remuneration.* They are earning an income through their own managerial labor, supervising their employees, serving customers, working with salesmen, accountants, and auditors. Obviously, their services are very valuable in the labor market. They would earn a good salary if they were to work for the A & P or a 5 & 10¢ store. Therefore, that part of a businessman's income that is

Dr. Sennholz heads the Department of Economics at Grove City College, Pennsylvania. This article is from a speech given to business executives in Dallas, Texas, on April 23, 1965.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

earned through his own labor exertion is a kind of wage or salary, and as such, totally unrelated to economic profits.

Most small businessmen with incomes up to $20,000 and $25,000 fall in this category. In the managerial labor market they would earn this income for services rendered to customers, for buying and selling, supervision of personnel, bookkeeping and accounting, and many other business activities.

But the majority of American enterprises earn an income in excess of managerial remuneration. The economist who dissects this residium finds yet two other heterogeneous parts. By far the largest part, which is earned by the majority of American enterprises, is *interest on the owner's or stockholder's invested capital.* It accrues to the owner on account of the time-consuming nature of the production process.

Interest

Whoever refrains from spending his income and wealth and, instead, invests them in time-consuming production can expect a return. For without it no one would relinquish his savings to provide capital for production. Interest ultimately flows from human nature. Men of all ages and races value their present cash more highly than a claim payable in the future. Therefore, in order to induce an investor to relinquish his cash for production, which will yield its fruits in the future, a premium, called originary interest, must be paid. In other words, the businessman who invests in his own enterprise should hope to earn on his investment the same kind of income as the lender who extends a loan to a borrower.

This basic interest return of some 4 per cent must accrue to business lest it withdraw its capital from production. As labor will leave an industry that pays low wages, so will capital shun an industry that does not yield a market return. If the government should tax it away or if labor unions should succeed in wresting this interest income from businessmen, production will necessarily contract and ultimately fall into deep depression. No additional capital will be placed at the disposal of an industry whose interest accrual is distributed to workers instead of owners. In fact, the liquid capital of that industry will even be withdrawn and turned to other employment where interest can still accrue. Capital consumption may even destroy what many generations before have built and accumulated.

It is difficult to ascertain the precise rate of originary interest

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which businessmen earn on account of the time-consuming nature of production. For reasons of comparison we cannot even use the market rate of interest applicable to loan funds because the market rate itself is a gross rate consisting of originary interest, an entrepreneurial profit component that flows from the risks of the individual loan, and finally, a risk premium that flows from the dangers of monetary depreciation wherever inflation is practiced. But for reasons of simple illustration of the originary interest rate, we may use the rate the U. S. government must pay for the use of funds. If we assume that the lender of funds to the U. S. government bears no debtor's risk and that inflation does not affect the loan value, we arrive at an interest rate that may constitute the originary rate, which is the rate businessmen should hope to earn as a basic interest return on their invested capital.

Suppose your net worth of business, stated in present value, amounts to $100,000. Originary interest on that amount would come to $4,000 a year, which you would earn even in such riskless investments as U. S. Treasury bonds or savings banks deposits. As a basis for this interest calculation you would take the estimated present market value of your net worth, for only the present value of your assets, and not the arbitrary book value reflecting past valuations or tax considerations, is meaningful for individual motivation and action.

A merchant with a business net worth of $100,000, spending long days in his shop serving customers, supervising his help, and otherwise managing the business may thus earn $4,000 interest and $20,000 managerial remuneration without actually reaping any profits.

Pure Profits — Temporary Response to Changing Market Conditions

Finally, there are enterprises that do earn *pure profits*. Through correct anticipation of future economic conditions, businessmen may earn what economists call *entrepreneurial profits*. For instance, through buying at a time when prices are low and selling when prices are higher, they may earn inventory profits. After interest allowance is made for the time of investment, stock market profits are pure profits. Of course, such profits are connected with risk on account of the uncertainty of the future. Instead of reaping profits, many businessmen suffer losses.

Contrary to popular belief, pure profits are only short-lived. Whenever a change in demand, supply,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fashion, or technology opens up an opportunity for pure profits, the early producer reaps high returns. But immediately he will be imitated by competitors and newcomers. They will produce the same good, render identical services, apply similar methods of production, and thus depress prices until the pure profit disappears. The first hoola-hoop manufacturer undoubtedly reaped pure profits. But as soon as dozens of competitors had retooled their factories the market was flooded with hoola-hoops. Prices dropped rapidly until the pure profits had vanished. When the American people suddenly discovered their need for compact cars, American Motors, who was the early manufacturer, temporarily earned pure profits. After General Motors, Chrysler, and Ford invaded the field, American Motors profits returned to the market rate of interest or even changed to losses.

Pure profits are very elusive. But opportunities for profits will emerge as long as there are changes in demand, supply, fashion, population, technology, or even the weather. As all life is change, and economic adjustments need to be made continuously, opportunities for profits will arise again and again.

And yet, in spite of the competitive forces that work incessantly in a free economy to wipe out pure profits, we may observe numerous enterprises that succeed in earning them over lengthy periods of time. The reason must be sought not only in the superior management of some enterprises in which gifted entrepreneurs direct the speculative aspects of business, but also in the different degrees of risk connected with the various industries.

Industries that work with a minimum of risk in stable markets and with stagnant technology must expect to earn the lowest profits. When completely adjusted to consumer demand and without any anticipation of risk, pure profits would indeed be completely eliminated and only the originary interest return would remain. But as even a completely adjusted industry may face future risks, economic or political, and as the risk factor cannot be eliminated entirely from any productive investment, some remnant of pure profit is usually earned by the successful enterprises. This is the reason why even apparently riskless industries continue to earn a little more than the 4 per cent originary interest. The successful public utility, for instance, which may bear little investment risk, may earn 6 or 7 per cent, which consists of 4 per cent interest and 2 to 3 per cent pure profit. But

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the presence of risk also explains why some enterprises in the same industry only earn the interest return or even suffer loss.

On the other hand, the successful enterprises that continuously face high degrees of risk tend to earn higher profits. For several years during the cold-war rearmament, the manufacture of aircraft and parts was exceptionally profitable. According to some statistics, a few aircraft manufacturers earned more than 20 per cent of net worth. Even if we bear in mind that corporate net worth is usually understated when compared with present values, and earnings ratios therefore are considerably overstated, we must admit that exceptionally high profits were earned by the most successful enterprises. In short, economic activity that involves a great deal of risk must yield exceptionally high profits to the successful enterprise in order to attract the necessary capital. It is obvious that the aircraft industry that continuously faces a great many imponderables, and often has suffered heavy losses, could not attract the needed capital if no more could be expected than a one per cent profit above the originary interest. Or, oil exploration and drilling which entail great financial risks would not be carried on without high rewards for success.

Interference with Profits

Taxation of these high rewards, or their arbitrary distribution to workers, would eliminate the incentive for risk-taking. Why should a man risk his capital in production if he can only suffer losses? In that case he would shun every productive investment, and search for riskless employment of his funds. The economy thus becomes rigid and inflexible, and unable to adjust to changes in demand, supply, and technology. Expansion and modernization are severely hampered. A confiscatory taxation of pure profits, maliciously called "excess profits," destroys the vitality and dynamism of the market economy. (For an excellent discussion of profit and loss see Ludwig von Mises, *Planning for Freedom,* Libertarian Press, South Holland, Ill.)

And what are the effects of taxes levied on the 4 per cent basic interest return? As described above, interest is the payment for the use of capital over time. Without it capital cannot be invested and production must come to a standstill. When the government levies its confiscatory taxes on this basic income component, the market must fall into severe depression. In fact, the "multiplier" economists who usually apply their calculations to government spending would do much better

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

calculating the depressive effects of this taxation. Let us assume, for instance, that the government imposes a tax of $1 billion on the interest return of business. At 4 per cent this interest constitutes the yield of $25 billion capital invested. And without this yield these $25 billion of business capital will be withdrawn from production, at least as far as it is liquid and can be withdrawn without heavy losses. For why should the owner keep his capital invested without a return?

The Great Depression gave dramatic proof of the depressive effects of confiscatory corporate taxation. And today, we can observe similar stagnating effects whenever the Federal or state governments raise their basic levies on business, such as the social security taxes and unemployment taxes which fall on every business regardless of its profitability.

And, finally, what are the economic effects of taxes that fall on the first-mentioned component, the managerial remuneration? Why should a merchant spend twelve to sixteen hours daily in his store if he cannot earn an income that is comparable with the salaries earned by other managers? If profit taxes encroach upon this income the independent businessman will be tempted to sell out to his big competitor and rather earn a salary as a branch manager than to face confiscatory profit taxes.

In economic life it is rather difficult to ascertain the impact of profit taxation. The same tax in some cases may fall on pure profits, in others on basic interest, and yet others on managerial remuneration. The effects, therefore, do vary. In some cases the tax merely prevents risky undertakings, in others it causes depressive restrictions of production, and in yet others it may cause the liquidation of small and medium-sized enterprises.

Addendum on Profit-Sharing

For many people, profit-sharing is thought to provide the solution to our labor problems. It is said to hold the key to industrial peace and represent the ideal of industrial democracy. According to a Senate Committee Report, profit-sharing is "essential to the ultimate maintenance of the capitalistic system." Even some businessmen praise it for giving employees a sense of partnership in the enterprise, raising worker morale, avoiding strikes, reducing turnover, increasing efficiency, and so on. In fact, profit-sharing is said to afford workers a stake *in our capitalistic system.*

These people do not seem to realize that the market economy *is*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a sharing system. Although hampered and mutilated, American business continues to deliver ever more and better goods. Wages continue to rise on account of improved technology and increased capital investments, not because we work ever harder and longer hours. Competition forces investors and businessmen to share the fruits of their investments with their customers through lower prices and with their workers through higher wages.

But in popular terminology "profit-sharing" proposes to give the workers more than higher wages through competition in the labor market. It means an additional distribution of a businessman's earnings to his employees. Some proposals depend on government or union coercion, others aim at voluntary sharing. Most sharing firms are rather small in size and employment.

Whose Share Is to Be Shared?

The economist who analyzes this supplementary sharing must ask a pointed question. Which part of the business surplus commonly called "profit" is to be divided between businessmen and workers? Is it the "managerial remuneration" which businessmen earn through their own managerial services? Why should independent businessmen yield their labor income while managers and supervisors in the service of large corporations continue to earn a market wage?

Is it the "pure profit" which businessmen are urged to share? Only a small percentage of American enterprises actually earn pure profits. Now, are the fortunate workers who found employment in profitable enterprises to earn more than their fellow workers in average firms? Should an accountant who serves a brilliant stockbroker earn $100,000 per year while his equally competent fellow accountants labor at $5,000 or $6,000? What is to determine his remuneration? But whatever the sharing plan should provide, it introduces a dubious wage principle: a man's labor income is determined by the ability of his employer. I doubt that this is the matrix for human cooperation, the key to industrial peace. On the contrary, it would create new sources of conflict. Most workers who receive wages only would probably demand "equal pay" from their profitless employers, which would aggravate rather than alleviate the labor situation.

Many people fail to realize that industry doesn't have much profit to share. According to Claude Robinson's excellent analysis, 45 per cent of all companies, on the average, are reporting no profits.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The average annual earnings for all manufacturing companies amount to eight and six-tenth cents per dollar of investment. "If we allow five cents as a form of interest," Robinson concludes, "the remaining three and six-tenths cents is left for entrepreneurial risk-taking. Should the three and six-tenths cents entrepreneurial fee be shared, it could at best mean an insignificant wage increase, and would surely decrease the willingness of owners to take the investment risks involved in providing better tools for workers. Sharing the entrepreneurial fee, therefore, would likely do the wage-earner more harm than good." (Claude Robinson, *Understanding Profits*. Princeton, N. J.: D. Van Nostrand, 1961, p. 315.)

Interest on Investment

And finally, there is the "interest" which capitalists usually earn on their invested funds. But, a forced reduction of this basic yield not only prevents capital formation but also causes its withdrawal and consumption. Such profit-sharing on a large scale causes stagnation and depression as the economic history of the past thirty-five years has repeatedly demonstrated.

Improvements in labor productivity and standards of living largely depend on the increased use of capital. Saving is a fundamental prerequisite of economic progress. It is hard to understand how anyone who has human betterment at heart can urge us to reduce the award of saving by sharing it with those who did not earn it but propose to consume it.

The friends of profit-sharing sometimes argue that if all companies would share their profits, labor productivity would rise greatly and everyone would benefit. But in this case, competition would again reduce prices and profits until there would be no excess profits to share. The benefits of rising productivity would thus accrue to consumers through lower prices and to workers through rising wages. Competition would not tolerate the existence of permanent profits to share. Therefore, profit-sharing can remain only a limited industrial practice.

In many cases even this limited sharing is sailing under false colors. Where labor actually becomes more productive through greater effort and application, its market value rises accordingly. Competition among businessmen will cause wages to rise. A businessman who then proposes to share his profits with his workers may merely be using this means to pay higher market wages. But instead of making payments every

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Friday, he may hold off paying for six months or a year, and call this profit-sharing. It is my opinion that most of the seemingly successful profit-sharing plans merely constitute plans for delayed payment of that part of wages that is earned through special effort and application.

In all such cases the workers would be well advised to insist on payment of higher wages rather than expose their earnings to the risks of business. Workers may even lose their delayed wages in case the business should lose money through poor management decisions. ◈

Planning Experiments in Britain

GEORGE WINDER

WHEN, in the autumn of 1964, the Labor Party came to power in Great Britain, it naturally wanted to nationalize the factors of production, transport, and exchange. Its slim majority, however, seemed to afford a mandate to nationalize only the steel industry. But the party leaders sought more extensive powers for themselves and for the state. They knew that *planning* is not such a noxious word as nationalization, as it can often be confused with the individual planning which must necessarily take place in a free society. If they could not nationalize industry, they could at least plan it to their hearts' content. They established, therefore, a Department of Economic Affairs under Mr. George Brown, and made it responsible for planning the whole economy.

To obtain facts upon which to base their plans, the Department of Economic Affairs sent to all industries a questionnaire asking for estimates of their production during the next six years. In answering these questions, businessmen were advised by the government to assume that the Gross National Product would increase during the period by 25 per cent. When the answers to this questionnaire are recorded, a "mutual adjustment" will take place to fit all production into a National Plan which the Labor government will introduce to the nation.

The full enormity of this plan

Mr. Winder, formerly a Solicitor of the Supreme Court in New Zealand, is now farming in England. He has written widely on law, agriculture, and economics.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

probably has not yet been realized by many industrialists, and we may take it that they have been busy guessing what their production is going to be six years hence.

However, it has occurred to Mr. John Brunner who was once employed by the Treasury to investigate this questionnaire. His findings appear in a booklet, *The National Plan*, published by the Institute of Economic Affairs (not to be confused with the Department of that name).

Mr. Brunner believes that, even if the industrialists fill in this questionnaire to the best of their ability, it can never form the basis of economic planning, simply because the future is so uncertain in all societies that have a modicum of freedom left. It is just this uncertainty that makes the entrepreneur such a valuable member of the community.

Mr. Brunner thinks that the simplest way to see whether the businessman is capable of forecasting six years ahead is to take his position over two periods of six years, 1951-57 and 1957-63, and see what a hopeless task any forecast for these periods would have been. Who, in 1951, for example, would have foreseen that the motor car industry would have increased its production during the first of these periods by 260 per cent and in the second by 144 per cent? Or that the sale of magazines, after remaining stationary over the first of these periods, would have dropped in the second by 22 per cent? Or that book sales, also unchanged in the first period, would have increased by 18 per cent during the second? Or that the sale of cinema seats would, in the first of these periods, have dropped by 37 per cent and in the second by 52 per cent? And what wine merchant would have ventured to forecast that his sale of wine and spirits would have grown by 25 per cent and by 37 per cent respectively in the two periods?

Mr. Brunner's figures strongly suggest that any forecast made for a period of six years ahead must be sheer speculation. And yet, speculations such as this are to be made the basis for a planned economy!

The questionnaire also asks for an estimate of the manpower the industries will employ over the next six years. This seems even more impossible to answer. In 1959, various industries were asked to estimate the increased number of scientists and technologists they would require by 1962. This was only three years ahead. The mineral oil refining industry estimated their increased requirements at 18.1 per cent, the scientificate instrument manufacturing industry at 24.4 per cent, and the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

motor vehicles industry at 34.3 per cent. As it developed, mineral oil refining showed an actual drop of 2.1 per cent, while the others showed small increases of 2.6 per cent and 2.2 per cent respectively. The paper, printing, and publishing industry, on the other hand, forecast a 32.2 per cent increase, whereas its employment of scientists and technologists showed an actual increase of 114.1 per cent over the 3-year period.

Even the government's own nationalized industries, supposedly stable because they have no competition, are apt to fail the planners. Who, for example, would have foreseen that Britain, whose fortunes were founded on coal, would forsake it in favor of oil? Yet, between 1958 and 1963 the sale of coal fell by 7,783,000 tons (23 per cent) while the sale of fuel oil more than doubled. Or that between 1957 and 1963, 19 per cent of their customers would have forsaken the railways?

The government's assumption of a 25 per cent gain in national product over the next six years does not make the business forecasting any easier. The only time such a rapid growth rate has been approached in Britain in this century was from 1900 to 1913 – and then there was no government planning for industry!

When the results of this questionnaire are returned and neatly arranged by the planners, the task begins of telling industries they must cut down on production of some goods and increase that of others. Or, as it is expressed in the questionnaire, to give the government "some guide to the amount of revision of firms' existing plans which will be required to bring them into line with the National Plan."

The Labor government actually intends to use this hodgepodge of forecasts, guesses, and speculations upon which to build their plans for industrial production during the next six years – if they are not defeated at the polls. If plans founded on these assumptions lead to anything, it is much more likely to be legalized market sharing and monopoly than improvement in the conditions of the British people.

Nor is the National Plan the only attempt of the British Labor government to plan the economy. Its "incomes" policy is still being pushed. This would control all wages and prices. This was conceived by the Conservative government and is the logical result of their weakness in allowing the inflation of the currency to take place over the whole of their period in office.

British trade unions have long insisted that they shall have in-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

creased wages every year; and politicians have responded by inflating the currency to accommodate such demands. The result, of course, was a rise in prices of all goods and services. The Conservative government, before its fall from power, had set up the National Economic Development Council aimed at some reasonable settlement of wages with the trade unions. Such a settlement is essential if the pound, under our present managed currency, is not to be continually depreciated.

When the Labor Party came to power, they recognized this fact. Mr. George Brown, through his new Department of Economic Affairs, persuaded the trade union leaders and the leaders of industry to sign what he hopefully called a "Declaration of Intent." This provided for annual wage increases limited to productivity and made provision for the control of prices. Then he appointed a "Prices and Incomes Board" to carry out this policy.

But it is one thing to make a declaration of intent and quite another to limit the demands of the trade unions. Most unions, when the time comes for their annual round of wage increases, demand more than their increased productivity justifies and state that theirs is a special case. It seems that Mr. George Brown's attempt to plan wages and prices is no more successful than was the attempt by the Conservative Party. The Conservatives had allowed inflation to the point that the planning of wages and prices seemed a logical answer to the dilemma.

A high rate of investment is alleged to be one of the advantages of government planning; but that requires a high rate of personal saving if it is not to become inflationary. There is little doubt that the government-spending type of investment has caused much of the monetary disturbance which has affected the British economy. That, and an ever-increasing inflationary wage rate. But the wage rate would not have been inflationary if it had not been for the government's excessive spending which inevitably resulted in an unbalanced budget.

As Adam Smith wrote nearly two hundred years ago, "A statesman who should attempt to direct private people in what manner they ought to employ their capital would not only load himself with a very unnecessary attention, but would assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatsoever, and which would nowhere be so dangerous as in the hands of a man who had folly enough to fancy himself fit to exercise it." ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a HOLE in the dike

DONALD L. REPP

ONCE UPON A TIME, in a little Dutch village by the Zuider Zee, there lived a young teenager. One night, on his way home from a local youth center, he discovered a small hole in the dike that protected the village. Realizing that this was not his responsibility, he rushed to the home of the Mayor, who hurriedly called a meeting of the Planning Commission for the following Wednesday night.

The members of the Commission debated the serious situation at great length and finally asked for suggestions from the assembled villagers. One old man who suggested that they immediately plug the hole was hooted down as a reactionary. Eventually, it was decided that since the problem pertained to the general welfare, it should be referred to the Leader in the Capital City.

A petition was drawn up explaining the situation, asking for help, and pointing out that 90 per cent of the villagers had voted for the Leader in the last election. Everyone cheered as the petition left for the Capital and no one but the old man noticed that the hole in the dike was getting bigger.

Before long, the little village was swarming with investigators and planners, and even the local elected representative returned from the Capital for a "firsthand" evaluation of the situation.

Almost everyone was happy. The

Mr. Repp is a Professional Engineer in Sacramento, California.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tavern keepers were happy because the newcomers ate, drank, and spent much more freely than the local villagers – it had something to do with "expense accounts." Local businessmen were happy because they anticipated even more spending. The housewives and village loafers were happy because they now had something exciting to gossip about. Only one person was unhappy about the leak – the old man who just wished that they would plug it at once.

The small hole in the dike became progressively larger, and more and more water gushed through onto the lush, fertile ground. Soon, the salt water ruined much of the soil and many farmers were deprived of their livelihood; whereupon, the village was declared a depressed area and government money and administrators poured into the town to help the now-idle men.

The farmers were thoroughly tested and interviewed to classify them for job training in one of the big cities; but, after being told that they would have to move, the farmers vowed that no one could force them to move away from their friends or their village, by gum.

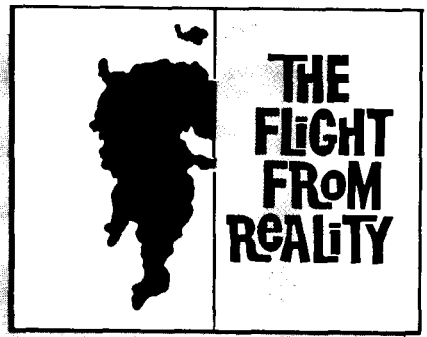
Finally, the government planners announced that their plans were completed and the people had nothing to fear. So much land had now been ruined that the village had been declared a disaster area and more money and jobs were on the way.

The new government aid program planned to set up bucket brigades to catch the sea water before it touched the ground and pour it back into the Zuider Zee. But when the government attempted to hire the idle farmers to work on this project, they refused, saying that it paid less money than farming, and that it was beneath their dignity to work at such menial tasks. The courts upheld their position and the farmers did nothing but sit in the sun and collect "their fair share" in government aid.

Since the sea water was now a foot deep all over the village, the planners began to talk about relocating the villagers to new government-built towns and building barracks and mess halls for young dropouts from the big cities who would soon arrive to man the buckets.

Suddenly, with an awful rumble, the dike gave way; and over the roar of the onrushing water, no one heard the old man despairingly mutter, "Why didn't I fix that leak myself when it was first discovered?" ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



11. The Domestication of Socialism

CLARENCE B. CARSON

The ship of reform will gather most headway from the association of certain very moderate practical proposals with the issue of a deliberate, persistent, and far more radical challenge to popular political prejudices and errors. It will be sufficient . . . in case they occupy some sort of family relation to plans of the same kind with which American public opinion is already more or less familiar. —HERBERT CROLY, 1909

Our social revolution must be consummated with a minimum of shock to our delicate industrial, political, and social machinery. . . . Our social reconstruction must be effected during business hours. It must be accompanied by preliminary plans, specifications, and estimates of cost. It must be gradual and quiet, though rapid. —WALTER E. WEYL, 1912

And yet, as Oscar Wilde said, no map of the world is worth a glance that hasn't Utopia on it. Our business is not to lay aside the dream, but to make it plausible. We have to aim at visions of the possible by subjecting fancy to criticism. . . . For modern civilization . . . calls for a dream that suffuses the actual with a sense of the possible. —WALTER LIPPMANN, 1914

BY THE EARLY twentieth century the stage was set for the entry of reformism into the stream of American political life. The intellectual ground had been thoroughly prepared for such a move. The flight from reality had proceeded far enough that many men could begin to take seriously visions which their counterparts in other times would have readily recognized as impractical fancies. But the intellectual position from which such recognition would occur had largely been cut away. The disciplinary role of philoso-

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in THE FREEMAN were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

phy had been lost, in the main, with the break from metaphysics, the downgrading of reason, and the attempt to root philosophy in empirical data. The vision of utopia provided a destination for man in the future. For many thinkers, time had been cut loose from its framework in eternity, cause disjoined from effect, man severed from his past experience, and a widening gulf separated thought from the wisdom of the past. A new pseudo philosophy – pragmatism – had been set forth to provide a method of operation into a future which was to be wholly different from the past. A new conception of reality had emerged to replace the old, a "reality" made up of change, society, and psyche. A new conception of creativity held out the promise that man could and did create his own reality.

These developments had implications for all of life, but, above all, they made ameliorative reform appear to be possible and provided the intellectual framework for the concerted and persistent efforts of reformers to make over man and society with the power of the state. The notion that society can be so reconstructed is called meliorism. But there is more to the matter than that. The belief that society, and men, can be reconstructed does not, of itself, imply any particular direction that should be taken in accomplishing this transformation. Yet anyone familiar with melioristic efforts in this century should be able to see that there has been one direction to reform. Meliorism and reform have not been neutral concepts; they have been loaded with ideas which have bent the thoughts of the men who held them in a particular direction. Reform has been informed by ideology.

Indeed, one ideology has dominated reformist thought in this century. That ideology should be known by its generic name, socialism, though a variety of names are frequently employed. There have been attempts to restrict the meaning of socialism to the description of those programs for public (i. e. governmental) ownership of the means of production and distribution of goods. For example, the *American College Dictionary* defines socialism as "a theory or system of social organization which advocates the vesting of the ownership and control of the means of production, capital, land, etc. in the community as a whole." But such a definition is far too restrictive. It sacrifices accuracy for precision and hampers rather than enables in the identification of actual socialists. It conforms neither to the etymol-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ogy of the word nor to the origin of the ideas nor to the facts of socialist advocacy.

More accurately, then, socialism should be used to describe the doctrines of those who, according to the *Encyclopaedia Britannica*, "were seeking a complete transformation of the economic and moral basis of society by the substitution of the social for individual control and of social for individualistic forces in the organization of life and work." Richard T. Ely claimed that socialism is "a principle which regulates social and economic life according to the needs of society as a whole. . . ."[1] This gets much closer to the heart of the matter. Socialists conceive of society as an organism, as a being in and of itself, capable of acting to bring about certain ends. The aim of the socialists is to bring about the control by society of the economic and social life, and their claim is that this will result in greatly improved well-being for all. The key word is *control*. There are, and have been, dogmatic socialists who insist that this must be effected by the vesting of ownership in the "public." But many others have professed not to care who holds the title to property so long as society has the control of it.

Evolution or Revolution?

The only distinction among socialists which has much empirical content is that between *evolutionary* and *revolutionary* socialism. And this is a distinction as to the *means* to be employed, not as to the *ends* to be achieved. Virtually all socialists, at least the earlier ones, have been aware that socialism would bring about a revolution in the lives of the people who adopted it. Some have thought, however, that this change could be brought about gradually, that it would not have to be achieved by violent means. Others have believed that a violent takeover would be necessary, and they are known as revolutionary socialists. Those socialists who are known as communists, and who claim discipleship to Karl Marx, have been the most vociferous advocates of revolutionary socialism, though there have been other revolutionary movements. It seems to me, however, that all of modern socialism stems more or less from Karl Marx and Friedrich Engels. At any rate, they advanced most of the notions which later socialists, of all varieties, have advocated.

Socialism acquired a bad reputation early in its career, if it ever

[1] Richard T. Ely, *Socialism* (New York: Thomas Y. Crowell, 1894), p. 5.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had a good one. After the abortive revolutions of 1848, advocates of socialism lived on the fringes of society. The workers of the world did not rush to unite behind them. The dire predictions of Marx did not come about, except in the heated imaginations of such men as accepted his words as a kind of gospel. Socialist parties made very poor showings in elections. Many of the ideas of socialists could be, and were, readily refuted. Electorates in the latter part of the nineteenth century usually rejected socialist programs with great alacrity. This was emphatically so in the United States.

Yet by the 1960's socialist ideas had come to prevail, to a greater or lesser extent, almost everywhere in the world, including the United States. How had this turn of events come about? In two ways mainly (and they correspond to the revolutionary-evolutionary approach) : one way may be summarized as the conspiracy-*coup d' etat*-violence method of gaining political power; the other has been by the propagation of ideas by intellectuals and the gradual intrusion of the attendant programs into the political action of communities. The conspiracy-*coup d'etat*-violence approach has generally been used in the East, the other in the West.

In the early twentieth century, the flight from reality became, or began to become, very nearly identical with the advancement of socialism. Much of the rest of the story will deal with how socialism was intruded into American political activities. The first step in this process was the domestication of socialism. It must be kept in mind that no avowedly socialist party has ever got more than a small fraction of the vote in the United States. To the extent that socialism has gained sway, then, it has been by the adoption of socialist programs by the older parties and the championing of these reforms by intellectuals and politicians who avoided the socialist label. It will be my task to show that this is precisely what happened.

Laying the Groundwork

Most people in the United States, so far as such things can be determined, have never accepted the bizarre formulations of the thought leaders in the nineteenth century of the flight from reality or of socialism. It is likely most men would consider Nietzsche's conception of creativity by a Superman as so much nonsense, and Marx's fulminations as the product of a demented mind. At least, they would, and did, until they were acclimated to them in much milder formulations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A part of the task of acclimatizing people to these ideas was accomplished by the domestication of socialism, the making of it more palatable by sloughing off the name, by particularizing it, by "moderate" statements of premises, and so on. A goodly number of people undoubtedly contributed to this work. Reform was made to appear much more desirable, even necessary, by the efforts of the muckrakers. Various and sundry theorists had begun to make some impact with their ideas. There is a considerable body of literature which could be categorized as the domestication of socialism in the United States. But for the sake of brevity and unity this account will be largely restricted to three books by three men. They are Herbert Croly's *The Promise of American Life* (1909), Walter E. Weyl's *The New Democracy* (1912), and Walter Lippmann's *Drift and Mastery* (1914). They were all Americans, were believed to have been somewhat influential, founded *The New Republic* as a joint venture, and shared some common presuppositions and aims.

Croly, Weyl, and Lippmann

Croly's book was much more influential than the others, by all accounts. It is supposed to have influenced Theodore Roosevelt in the formulation of the New Nationalism and to have been a major seminal work for progressivism. A recent writer has noted:

> Croly's reputation, however, rested on more than his purported impact on Roosevelt. Men whose own thought first took shape during the progressive period have strongly praised the publicist's contribution. Lippmann called his former associate "the first important political philosopher who appeared in America in the twentieth century"; Alvin Johnson grants Croly "the palm of the leadership in the philosophy of the progressive movement" . . . , while Felix Frankfurter credits him with "the most powerful single contribution to progressive thinking."[2]

Croly's work is both the most lengthy and the most thorough of the three books. It may well be that *The Promise of American Life* should be ranked as the most thorough "Fabian tract" ever written. Weyl's book is much blunter, less polished, and somewhat more to the point. Lippmann had already developed his ponderous style of presenting a combination of urbanities and inanities as if they were profound. He had already developed the ability, too, to roll with the punch, to apparently accept the devastating criticisms of his position, even to

[2] Charles Forcey, *The Crossroads of Liberalism* (New York: Oxford University Press, 1961), pp. 5-6.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

joining in with the chorus of the critics, all the while maintaining the substance of his position intact. He was a pragmatist, along with the other two men, and this made it easy for him to pursue his goal by a new path when he found the course he was following blocked.

The Art of Persuasion

There is one difficulty in my thesis that these three men were domesticating socialism, and there is no reason why it should not be made explicit. The difficulty is this. In order for them to have been domesticating socialism, they must have been socialists. Yet it was essential to their task that they not be avowed socialists. At any rate, Croly and Weyl were not avowed socialists, and by 1914 Lippmann had abandoned his connection with socialist parties. Thus, there appears to be a problem of proving that they were socialists.

Actually, however, the above overstates the problem. Whether they were socialists or not, these men were advancing socialist ideas and programs. Whether they were intending to "domesticate socialism" or not is irrelevant; my point is that the way in which they were presenting the ideas had that effect. It should be made clear that this is not an examination into the motives of these men. There is no concern here with whether they were sincere or not, whether they were surreptitiously advancing a movement or not, or whether they were good or evil men or not. This is not an attempt to judge them; it is an effort to describe what they did.

The point is that Croly, Weyl, and Lippmann were advocating ideas and programs drawn from the socialist ideology, and that they presented them in a light so that they would be least disturbing to the accepted beliefs of Americans. Let us first examine a few quotations which indicate the socialistic tenor of the proposals of these men. The first is from Herbert Croly, and the context from which it comes is a discussion of the necessity of restricting freedom:

> Efficient regulation there must be; and it must be regulation which will strike, not at the symptoms of the evil, but at its roots. The existing concentration of wealth and financial power in the hands of a few irresponsible men is the inevitable outcome of the chaotic individualism of our political and economic organization. . . . The inference which follows may be disagreeable, but it is not to be escaped. In becoming responsible for the subordination of the individual to the demand of a dominant and constructive national

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

purpose, the American state will in effect be making itself responsible for a morally and socially desirable distribution of wealth."[3]

At one point, Croly candidly admits that in certain senses his program is socialistic. He says that it is socialistic "in case socialism cannot be divorced from the use, wherever necessary, of the political organization in all its forms to realize the proposed democratic purpose."[4]

Weyl said, "To-day no democracy is possible in America except a socialized democracy, which conceives of society as a whole and not as a more or less adventitious assemblage of myriads of individuals."[5] Moreover,

> In the socialized democracy towards which we are moving . . . taxes [will] conform more or less to the ability of each to pay; but the engine of taxation . . . will be used to accomplish great social ends, among which will be the more equal distribution of wealth and income. The state will tax to improve education, health, recreation, communication. . . . The government of the nation, in the hands of the people, will establish its unquestioned sovereignty over the industry of the nation, so largely in the hands of individuals.[6]

Walter Lippmann is not easy to pin down, yet the socialist ideas are there. Quite often he obscures them as prediction, as in the following: "Now the time may come, I am inclined to think it is sure to come, when the government will be operating the basic industries, railroads, mines, and so forth. It will be possible then to finance government enterprise out of the profits of its industries, to eliminate interest, and substitute collective saving."[7] Sometimes, however, he prescribes directly, as in the following call for all-out planning:

> It means that you have to do a great variety of things to industry, invent new ones to do, and keep on doing them. You have to make a survey of the natural resources of the country. On the basis of that survey you must draw up a national plan for their development. You must eliminate waste in mining, you must conserve the forests so that their fertility is not impaired, so that stream flow is regulated, and the waterpower of the country made available.[8]

---

[3] Herbert Croly, *The Promise of American Life*, Cushing Strout, intro. (New York: Capricorn Books, 1964), p. 23.

[4] *Ibid.*, p. 209.

[5] Walter E. Weyl, *The New Democracy* (New York: Macmillan, 1912), p. 162.

[6] *Ibid.*, pp. 163-64.

[7] Walter Lippmann, *Drift and Mastery*, William E. Leuchtenburg, intro. (Englewood Cliffs, N. J.: Prentice-Hall, A Spectrum Book, 1961), p. 70.

[8] *Ibid.*, p. 98.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

These quotations, however their authors hedged them about, do indicate that the books in question were informed by socialism. They are, however, among the more radical statements to be found in the books. In the main, the writers stick to the task of domesticating socialism, rather than to setting forth their assumptions. Let us examine now some of the means by which this is done.

Gradualism

First, the authors of these books were devotees of gradualism, and were themselves proposing the next steps in a movement toward what can be discerned as the goal of socialism. In their gradualism, they were following the path of the English Fabians who had been at work some years already. The Fabian Society, named after the Roman general, Fabius, who fought indirectly by harassment rather than directly, was organized in 1884. Sidney Webb, a leading figure in the Society and movement, explained their conclusions this way:

> In the present Socialist movement these two streams are united: advocates of social reconstruction have learnt the lesson of Democracy, and know that it is through the slow and gradual turning of the popular mind to new principles that social reorganization bit by bit comes. . . . Socialists . . . realize that important organic changes can only be (1) democratic . . .; (2) gradual . . .; (3) not regarded as immoral by the mass of the people . . .; and (4) in this country at any rate, constitutional and peaceful.[9]

Whether Croly, Weyl, and Lippmann were consciously socialists or not, they were certainly consciously gradualists. Croly makes his gradualism explicit in the following prescription for taking over the railroads (all the while adopting a pose of objectivity about it which relieves him of responsibility for advocating it):

> In the existing condition of economic development and of public opinion, the man who believes in the ultimate necessity of government ownership of railroad road-beds and terminals must be content to wait and to watch. The most that he can do for the present is to use any opening which the course of railroad development affords, for the assertion of his ideas; and if he is right, he will gradually be able to work out, in relation to the economic situation of the railroads, some practical method of realizing the ultimate purpose.[10]

He suggests that the end might be

[9] Sidney Webb, "Socialism, Fusion of Democracy and Cooperation" in J. Salwyn Schapiro, *Movements of Social Dissent in Modern Europe* (Princeton: D. Van Nostrand, 1962), p. 161.

[10] Croly, *op. cit.*, p. 377.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

achieved by the extension of government credit to the railroads, followed by a "gradual system of appropriation."

Weyl left no doubt about his gradualism either. He declared "that the surest method of progress is to take one step after another. The first step, often uncontested (*because* it is only one step), leads inevitably to others."[11] He gives an example of what he means, in connection with governmental acquisition of rich mineral lands. "If the nation could approach the owners of these lands with the sword of a gentle tax in the one hand and the olive branch of a fair purchase price in the other, there would soon be no fear of any monopoly of our mineral resources."[12]

Although Lippmann substituted prediction for outright prescription, he envisioned a gradual transformation in America. "Private property will melt away; its functions will be taken over by the salaried men who direct them, by government commissions, by developing labor unions. The stockholders deprived of their property rights are being transformed into money-lenders."[13]

[11] Weyl, *op. cit.*, pp. 265-66.

[12] *Ibid.*, p. 266. Apparently, he meant by monopoly the private ownership of mineral resources.

[13] Lippmann, *op. cit.*, p. 49.

A Façade of Conservatism

The gradual approach to social transformation, these writers saw, had the advantages of lessening resistance, of avoiding shock, and of giving the appearance of continuity within the society. The latter two advantages take on the added gloss of appearing to be conservative. That is, they indicate a concern with conserving much within the existing framework while the framework itself is being fundamentally altered. Indeed, one of the least understood of the methods of Fabian socialism, if the term may be used generically, is the façade of conservatism which socialists frequently adopt. On the face of it, conservatism and the radical alteration of society are at opposite poles of the political spectrum. Yet gradualists have quite often not only reduced the distance between them, so far as could be readily discerned, but also have managed actually to convince some people that theirs is the conservative position. It turns out upon examination, of course, that what they want to do is to preserve the material achievements of modern civilization while destroying or replacing the spiritual base, knowledge, and arrangements upon which they are built. But then, that is why socialists can be described as on a flight from reality.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"The Great Society"

One of the best examples of a socialist book which embodied the conservative façade was written not by an American but an Englishman. Graham Wallas was the author, and the book was *The Great Society* (1914), a name which has cropped up lately. There is no difficulty in placing Wallas ideologically; he was one of the original founders of the Fabian Society. Moreover, some slight discussion of the method of the book in the present discussion is in order because Wallas influenced Lippmann when he was at Harvard in 1910 as a visiting lecturer, and dedicated *The Great Society* to Lippmann.

One might suppose from the title of the book that it is utopian, that it is a prescription for something to be achieved in the future. Yet such is not the case. The Great Society already existed (in 1914), according to Wallas, at least in the highly industrialized countries of the West. The Great Society, Wallas said, had resulted from technological innovations. The developments from these had drawn people together in interdependence upon one another, not only nationally but internationally.

But – and this was the problem with which he purported to deal – there were centripetal as well as centrifugal forces within the Great Society. The centripetal forces threatened to dissolve the society. Wallas said, "But even if the forces of cohesion and dissolution remain as evenly balanced as they are now, our prospects are dark enough. The human material of our social machinery will continue to disintegrate just at the points where strength is most urgently required." To support this statement he supplied a catalogue of the evils within society which any socialist might be expected to give. In order to preserve the Great Society he held that a great reorganization would have to occur. In short, he had made it appear that social transformation was necessary for conservative reasons.

This theme crops up in the works under consideration. Writing before Wallas's book appeared, Croly said: "In its deepest aspect . . . the social problem is the problem of preventing such divisions [the divisions supposedly caused by specialization] from dissolving the society into which they enter – of keeping such a highly differentiated society fundamentally sound and whole."[14] Lippmann argued from similar premises for the development of powerful labor unions. He maintained that industrial peace would be a by-product of powerful unions. "You will

[14] Croly, *op. cit.*, p. 139.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

meet in . . . powerful unions," he said, "what radical labor leaders call conservatism." On the other hand, "It is the weak unions, the unorganized and shifting workers, who talk sabotage and flare up into a hundred little popgun rebellions."[15] The moral is clear: Support the growth of strong unions in order to maintain peace and conserve social stability.

Giving Historical Setting to the Need for Reform

A considerable portion of Croly's work was devoted to fitting the need for reform into the American tradition. A part of his book is historical in character. His position is that there was an implicit promise in American development over the years, that Americans had developed democratic institutions, that they had developed a national spirit, that they had at one time effected unity among the peoples. However, "the changes which have been taking place in industrial and political and social conditions have all tended to impair the consistency of feeling characteristic of the first phase of American national democracy."[16] That is, according to him, industrialism had produced deep divisions within society. "Grave inequalities of power and deep-lying differences of purpose have developed in relation of the several primary American activities. The millionaire, the 'Boss,' the union laborer, and the lawyer, have all taken advantage of the loose American political organization to promote somewhat unscrupulously their own interests. . . ."[17] This situation was unwholesome, he thought. "But a democracy cannot dispense with the solidarity which it imparted to American life, and in one way or another such solidarity must be restored."[18]

Some clues to the means for the restoration of "solidarity" could be found in American history. Alexander Hamilton had a vision of using the government to advance national well-being. But Hamilton had been antidemocratic, and had promulgated too narrow a program, at least for twentieth century conditions. Thomas Jefferson had contributed to the development of democratic sentiment, but he had been individualistic, not nationalistic. Croly drew his conclusion: "The best that can be said on behalf of this traditional American system of political ideas is that it contained the germ of better things. The combination of Federalism and Republicanism . . .

[15] Lippmann, *op. cit.*, p. 61.
[16] Croly, *op. cit.*, p. 138.
[17] *Ibid.*
[18] *Ibid.*, p. 139.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pointed in the direction of a constructive formula."[19] So too, the Whigs had a national vision, but they were unable fully to articulate it.

Croly was setting the stage with this historical exposition for offering his solution, and at the same time making it appear that he was joining his solution to a course which Americans had been groping toward for a long time. The solution was for Americans to "restore" their lost or threatened unity by the acceptance of a social ideal. They were to find a national purpose, and they were to move toward the fulfillment of that purpose, or "promise," democratically. Thus, Croly was able to associate two ideas – nationalism and democracy – which had good connotations to Americans with his program for social reconstruction. It should be noted that all three writers salted down their social programs with liberal sprinklings of references to "democracy" throughout, a practice which has long since become habitual, if not compulsive, with reformers.

Alterations Proposed

But the attempt to make their programs appear conservative and traditional by these writers should not be overemphasized. Croly went much further in this regard than did the others. All of them, however, were fairly explicit in pointing out that they were proposing alterations in the American system. Even Croly said,

> The better future which Americans propose to build is nothing if not an idea which must in certain essential respects emancipate them from their past. American history contains much matter for pride and congratulation, and much matter for regret and humiliation. On the whole . . . , it has throughout been made better than it was by the vision of a better future; and the American of to-day and to-morrow must remain true to that traditional vision. He must be prepared to sacrifice to that traditional vision even the traditional American ways of realizing it.[20]

Weyl left no doubt about his view of the centerpiece of the American tradition, the Constitution. He said, "Our newer democracy demands, not that the people forever conform to a rigid, hard-changing Constitution, but that the Constitution change to conform to the people. The Constitution of the United States is the political wisdom of a dead America."[21] Lippmann was even more emphatic, and much more general, in his repudiation of tra-

[19] *Ibid.*, p. 51.

[20] *Ibid.*, p. 5.

[21] Weyl, *op. cit.*, p. 13.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dition. He subscribed to the view "that we should live not for our fatherland but for our children's land."

To do this men have to substitute purpose for tradition: and that is, I believe, the profoundest change that has ever taken place in human history. We can no longer treat life as something that has trickled down to us. We have to deal with it deliberately, devise its social organization, alter its tools, formulate its method, educate and control it. In endless ways we put intention where custom has reigned.[22]

Necessary Adjustments to Changing Conditions

The major justification for social reconstruction, then, was not that it was in keeping with the American tradition to do so but that it made necessary by changing conditions. Thus, these writers domesticated socialism by making its measures appear to be necessary adjustments to changed conditions. These men argued that technological developments, new industrial organizations, the development of a nation-wide market, the appearance of class divisions, the existence of poverty, made necessary the alteration of political action to deal with these changes. Perhaps the other two would have agreed wholeheartedly with Weyl, when he said, "It is ideas, born of conditions, which rule the world."[23] Indeed, Lippmann took the position that many of the changes were already occurring which were reconstructing America, whether it would or not. Croly emphasized the method of the reformer as one in which he grasped the tendencies and reinforced them.

These positions indicate a rather mystifying, or illogical, penchant of melioristic reformers in the twentieth century. They vacillate between the poles of economic determinism on the one hand and a radical view of "freedom" which allows them to create at will, on the other. Generally speaking, Croly, Weyl, and Lippmann got maximum use from ideas drawn from contradictory positions. The determinist position allows its holder to claim that he is describing an inevitable evolution, to assume a position as a scholar and possibly a scientist rather than an advocate, to avoid responsibility for his advocacy, and to leave the reader with no choice but to adjust to the predicted course of development. On the other hand, the meliorist position allows its holder to talk of social invention, of imagination, of creativity, of a new way which has been discerned, and to appeal subtly to the reader's desire to join him in being

[22] Lippmann, *op. cit.*, p. 147.

[23] Weyl, *op. cit.*, p. 199.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the forefront of momentous developments. In the real world, these are inconsistencies, but on the flight from reality you can have it both ways.

Pragmatic Approach Requires No Consistent Principles

Finally, the pragmatism of these writers permitted them to offer every sort of reformist idea that has ever been advanced without dogmatically subscribing to any of them. Some indication of the range of ideas which they subscribed to or advanced should be given. Many of them have since become the assumptions of intellectuals and some goodly number have been put into practice. In general, Croly, Weyl, and Lippmann subscribed to the notion that the problem of production had been largely mastered, that the major task ahead was one of distribution. They spoke confidently of "unearned increments," of "social surpluses," and of the "need" to distribute the wealth more equitably. None of these men, however, was an opponent of bigness in business. They considered trustbusting an anachronistic and destructive undertaking. The problem, as they saw it, was not to break up huge industries but to assure that they were operated in the interest of society. To assure this, they advocated governmental regulation, discriminatory taxation, and outright ownership, if necessary.

These writers used slightly different verbiage to describe their broad programs of reconstruction, but Weyl gives the gist of their recommendations in the following:

> With a government ownership of some industries, with a government regulation of others, with publicity for all (to the extent that publicity is socially desirable), with an enlarged power of the community in industry, and with an increased appropriation by the community of the increasing social surplus and of the growing unearned increment, the progressive socialization of industry will take place. To accomplish these ends the democracy will rely upon the trade-union, the association of consumers, and other industrial agencies. It will, above all, rely upon the state.[24]

Many Reforms Have Been Tried

Some of the means to these ends are interesting because they have been employed, but they are no longer so openly avowed. For example, these writers favored the alteration of the Constitution by interpretation. Croly declared that, on the whole, the Constitution was an admirable document, "and in most respects it should be left to the ordinary process of

[24] *Ibid.*, p. 297.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

gradual amendment by legal construction. . . ."[25] Weyl said, "For the time being, the Constitution will probably change, as it has changed during the last century, by process of interpretation. . . . It is possible for them [the Supreme Court] by a few progressive judicial decisions to democratize the Constitution."[26]

In various forms, one or more of these writers proposed socialized medicine, consumer regulation, inheritance taxes, graduated income taxes, state insurance programs, socialized education, executive leadership, centralization of government, excess profits taxes, national planning, and a government guaranteed minimum standard of living. Croly even argued explicitly that government should discriminate in favor of certain groups in order to assure equality. He said, "The national government must step in and discriminate; but it must discriminate, not on behalf of liberty and the special individual, but on behalf of equality and the average man."[27]

In general, though, their particular programs were not dogmatically advocated. They were pragmatic about the particulars. Pragmatism is not, of course, a test of the ultimate end to be achieved; it is a test of the methods to be used. If one method does not work, then another one is tried, and so on. The end remains the same, and inaccessible to pragmatic demonstrations. As Weyl said, "The democracy [for which one may accurately substitute "socialism"], though compromising in action, must be uncompromising in principle. Though conciliatory towards opponents, it must be constant to its fixed ideals. Though it tack with the wind, it must keep always in sight its general destination."[28]

This was one of the ways, then, by which socialism was domesticated in America. ◈

[25] Croly, *op. cit.*, p. 351.
[26] Weyl, *op. cit.*, p. 317.
[27] Croly, *op. cit.*, p. 190.
[28] Weyl, *op. cit.*, p. 269.

The next article in this series will pertain to "The Democratic Illusion."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Self-GOVERNMENT

ROBERT K. NEWELL

SINCE the dawn of history man has vainly sought to ordain order and advance social justice through political legalism. Liberty, equality, brotherhood, justice, security, freedom – and especially self-government – have long enjoyed stature in political clichés.

On the surface, democracy seems to encompass all social ideals and appears to be the epitome of political government. The motivating principle asserts the inherent right of all to participate in government and determine public policy. But with unquestioned power invested in popular opinion, democratic idealism deteriorates rapidly into government by organized majorities.

Even the authoritarian majorities who imagine themselves self-governed have no real understanding of political subterfuge and simply endorse whatever their leaders are pleased to tell them. And since it is easier to subjugate and manipulate those who believe themselves free, the grand illusion of freedom and self-government is carefully preserved by the strategists who constantly maneuver behind the democratic stage.

Since democracy is not of itself a stable form of government, but rather a method of ordaining social change, all forms of political tyranny can easily win the endorsement of the majority. The irresponsible elements of any society are readily persuaded to state-sponsored beggary on the assurance their personal problems will be miraculously solved by some political nostrum a clever candidate advises them to try. To exercise control over an apparently self-governed democracy is only to understand and utilize the prin-

Mr. Newell operates a farm near Marcellus, Michigan, one of his "crops" being an occasional article.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ciples of mass psychology. The demagogues who successfully exploit social and economic disorders and identify themselves with the majority, ultimately attain oligarchic power.

Democracy has always enjoyed broad acclaim as the champion of political justice. But history amply indicates that government by popular opinion has spawned nothing but social and moral chaos. No matter how wisely begun, skillfully expedited, or enlightened the self-governed, the self-governed states have followed similar patterns of degeneration to mob anarchy. When laws fail, the anarchy must be brought under control by some form of dictatorial government, until counterrevolution in time completes the cycle by returning political process to the hands of the people. The entire gamut precludes human liberty and social justice, as political instability insures social disorder and minority oppression in every phase.

Self-Discipline the First Step toward Self-Government

Political societies and their various governments have come and gone while man has been advancing his civilization, but the basic problems attendant to human relationships continue. Many, now as in the past, despairingly believe it is fundamentally more sound and morally easier to be controlled by an illusionary self-governed legal system than to master the art of governing oneself.

As free moral agents, individuals tend to seek justice through spiritual values, while individuals acting collectively seek favoritism through deliberate applications of political injustice. Individuals must laboriously ponder justice through conscience, while political majorities have only to embrace an ideology to have it automatically proclaimed morally correct regardless of the injustice it may inflict. Despotism, no matter by what name it masquerades, is quick to exploit this human infatuation with group motivation. Human progress depends entirely upon the intrinsic moral judgment of self-governed individuals, politically controlled in the minimum degree that prevents infringement on the human rights and opportunities of others.

Constitutional legalism is both the ancient and modern political antidote for democratic oppression. But no matter how eloquently it defines the rights and virtues of individuals or how boldly it affirms opposition to majority injustice, it is still only a document of public intention. If the intention of the society changes, the constitution is automatically invalidated.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Reappraisals of constitutional application are continually substituted for original intent when legalism no longer reflects the true spirit of the society it governs. Constitutional legalism may accurately recognize the basic differences in human desires, initiatives, and capabilities, and assure that the fruits of human effort will be equitably divided in direct proportion to contribution. It may also impartially administer justice. But as soon as the legal system appears less than perfect to a majority that lacks the human energies necessary to utilize its perfections, the endless search for the golden mean of political mediocrity resumes.

The Power of Personal Character

The best government, and the only government that will permanently benefit mankind, is introspection; for it alone can identify true social responsibilities and teach us to govern ourselves with moral restraint. Human life demands effective living. Effective living demands that the human spirit be allowed to seek and attain justification through self-chosen channels. The greatest and most far-reaching contributions to the cause of human enlightenment have never developed from majority opinions, but rather from inspired individuals quite often at odds with their contemporaries. The only restraint that can ever be imposed on the democratic oppression that stifles human spirit is the power of personal character, developed through the moral growth of self-sufficient individuals.

As man apprehensively surveys the future, he is inclined to believe that the world has only to turn to the self-government of democracy to bring human problems to a swift and happy conclusion. But externally applied self-governing political concepts, no matter how lofty their legal and moral intent, can never provide mankind with a hopeful future. Mankind must learn to govern from deep within the individual; and when man at last has mastered himself, responsible human relationships will be the first and most important by-products of his accomplishment. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ON POWER AND CORRUPTION

LEONARD E. READ

LORD ACTON, writing in 1887, packed a profound truth into a simple sentence and, by so doing, coined a famous axiom: "Power tends to corrupt and absolute power corrupts absolutely."[1] This is quoted frequently, but popular repetition, by itself, has nothing whatsoever to do with comprehension.

There is evidence on every hand that power does tend to corrupt, and many a thoughtful writer has taken note of the fact. Henry Adams, in 1905, wrote in his autobiography:

> Power is poison. Its effect on Presidents had been always tragic, chiefly as an almost insane excitement at first, and a worse reaction afterwards; but also because no mind is so well balanced as to bear the strain of seizing unlimited force without habit or knowledge of it; and finding it disputed with him by hungry packs of wolves and hounds whose lives depend on snatching the carrion.[2]

Countless thousands, doubtless, are aware that power tends to corrupt. But Acton's axiom, regardless of its validity and the number who know it to be a truth, conveys no more than any other pat saying unless there be a knowledge of why power tends to corrupt. Only then, from this knowledge, can there be a correct deduction of how one may avoid the tendency.

At the outset, let us consider the problem from the standpoint of how *I* can keep power from corrupting *me*. There are at least two reasons why the diagnosis should be approached in this first-person manner.

[1] John Emerich Edward Dalberg-Acton, *Essays on Freedom and Power* (Boston: The Beacon Press, 1948), p. 364.

[2] From Henry Adams, *The Education of Henry Adams* (New York: The Modern Library, 1931), p. 418.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

One: Beyond what may result from my exemplary behavior, I am severely limited in doing anything to insure the incorruptibility of others. This is exclusively a personal problem — and a deep one, at that. Nor is there much I can do to escape the effects of the corruption that befalls others. The most useful contribution I can make is to discover how I can lessen my own corruptibility and to share the results, if any, with those having a similar aspiration.

Two: Humanity is not my responsibility, *I am my responsibility!* Indeed, even I am too complex an enigma for me wholly to unravel; but, by dealing with me as best I can, I serve my fellows in the most fruitful manner possible for me. The temptation always is to correct the thinking of others, though we have little competence for it, instead of attending to our own improvement. As a consequence, no one's thinking is upgraded. Nor is this first-person approach inconsistent with the Cosmic Scheme, as I interpret it: Evolution is its method; and, as related to man, this calls for growth in awareness, perception, consciousness. This emergence does not have its root in any collective abstraction: institutions, societies, nations, humanity; its wellsprings are to be found exclusively in individuals. In each individual instance, *I am my responsibility!*

As to Acton's axiom: When it is affirmed that power *tends* to corrupt, there is, obviously, allowance made for exceptions, that is, power does not, in every form, necessarily corrupt. And as to his "absolute power corrupts absolutely," this seems only to suggest that the nearer absolute power is approached, the more certain is corruption, for absolute power by a human being is inconceivable.

But no meaningful analysis of this axiom is possible unless I know of the varied kinds of power and, also, of the nature of the corruption which the several kinds of power tend to induce.

Various Kinds of Power

The first kind of power that comes to mind is political control of creative actions, authoritarianism, a relationship where the will of a man or a clique is imposed on others by physical force — that is, by a constabulary, the do-as-I-say-or-die variety.

Acton's axiom was derived from his observation of how ecclesiastical power corrupts.

There are forms of power, however, where violent force or the threat of it is absent. An example is power of the press: having a newspaper, a journal, a platform, a soap box, an audience.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Another variation is that more or less unsuspected power which stems from approbation and opprobrium: others do as one suggests, hoping for approval or desiring to escape disapproval. Such power, for instance, is wielded by a small, self-appointed group in Beverly Hills:

> In this company, the most casual witticism or the most intentional snigger may snuff out a career, while a favorable adjective or merely a liquor-ish grunt can start a newcomer's reputation climbing faster than Comsat . . .[3]

And do not overlook the power of acquisition—purchasing power—that attends successful specialization and exchange.

By far the most influential kind of power in shaping the lives of others derives from excellence; it is the power to evoke emulation.

It seems that the power one may exert over the lives of others ranges all the way from the power of repulsion to its antithesis, the power of attraction. Yet, all forms—there are many others—have a trait in common, a trait I must keep uppermost in mind: each packs authority of sorts. The questions I must finally answer are, how does power, whatever its variety, tend to corrupt? Then, learning of this, what means may I employ to overcome the corruptive tendency?

If power takes many forms, it may be supposed that there also are various types of corruption. There are, of course, the baser forms of corruption commonly associated with that term: bribery, stealing, lying, cheating, fraud, misrepresentation, going back on one's bond, and the like. If the problem consisted solely of these foul kinds of corruption, I would commend attendance at Sunday school and let it go at that. But I suspect that all of these open and despicable abuses, taken together, do not approach in damage the more subtle forms of corruption that power tends to induce.

The Power of Achievement

Consider first the wholly commendable kind of power, the power that derives from sheer excellence, the power to evoke emulation. How can this possibly be corruptive? Superior achievement in any activity prompts applause, acclaim, adulation, flattery. This is heady stuff and, if taken seriously, fosters an unrealistic self-esteem. Knowing how little one knows gives way to know-it-allness; it brings on an appraisal of self at odds with reality—a damaging psychosis! To suffer such

[3] See "The Most Brutal Audience in the World," *The Sunday New York Herald Tribune Magazine*, April 18, 1965, p. 35.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

corruption is to unfit me for my highest purpose.

When the esteem for an individual reaches that point where others "hang on his every word," he achieves an enormous authority which most surely will be corruptive unless accompanied by a commensurate self-responsibility and self-discipline. In short, as others hang more and more on every word, every word must be more carefully weighed—if such power is not to be corruptive.

Am I to shun excellence because of its corruptive tendency? Indeed not! But how to gain immunity from the tendency? A Roman emperor, riding through the streets of Rome and receiving plaudits for his successful conquests, had a slave at his feet who kept repeating, "Remember, thou too art mortal!" While the emperor knew of the self-corruption which attends adulation and desired that he be not victimized by it, no doubt he failed in his aim. His method was at fault. It is upon one's own conscience that reliance must be placed for a realistic self-appraisal. The reminders of reality have to be self-reminders; the responsibility cannot be delegated to anyone, much less to slaves. The psyche is not exterior to self and cannot be managed by exterior forces. To down the corruptive tendency, little more is required than a knowledge of how excellence and its concomitant, flattery, tend to corrupt. With this understanding one can, with a modicum of conscious effort, become as impervious to fawning approval as to any other form of deference. When I know how little I know, then no one else's overestimation—honest or insincere—can unbalance me.

Purchasing Power

What about purchasing power? How can this, in the absence of coercive force, tend to corrupt? Perhaps there is a cue in the oft-heard phrase, "Money talks!" Money, undeniably, has an authority of sorts.

Abundant purchasing power tempts me to "throw my weight around"—that is, to get my way regardless of how unmeritorious my way may be. Buying special favors or preferments is a common practice as is buying one's way out of self-incurred messes. It's the misuse of purchasing power that accounts for the saying, "The love of money is the root of all evil." Again, purchasing power may lead one to a perversion of high purpose, make him unfit to achieve it.

Purchasing power, per se, is not the root of evil. The more purchasing power others possess, the more can I receive in exchange

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for my goods or services. Wealth serves the moral purpose of freeing one from the drudgery which poverty imposes. It makes possible the devotion of self to those activities for which one is peculiarly suited. It permits one to get ever deeper into life along lines in harmony with one's real being.

But, when a man uses his purchasing power to run away from a life of doing, that is, as a means of denying a development of his faculties, he vegetates. And when he uses it to buy off the penalties of error or of bad judgment, he fails to exercise the corrective faculties and begets a fool. When misused, purchasing power is destructive of self, wholly evil, and, thus, corruptive.

Am I to shun purchasing power because of its corruptive tendency? No! If I am to avoid corruption – becoming a vegetable or a fool, I need only keep in mind that the authority – power – which wealth bestows requires a responsibility that guards against misuse. I had a wealthy banker friend who was a very modest tipper and yet, wherever we went, people vied with each other to wait on him. He counseled me, "Only he deserves good service whom others are eager to serve." He never affected superiority with his money or his manners, a temptation to which so many yield. He treated everyone, regardless of how lowly the wealth status, just as he would wish to be treated were the situation reversed. It is easy to see how this self-conduct, in tune with reality and the Golden Rule, leads to the development, growth, and purification of the psyche – the opposite of corruption.

Purchasing power, doubtless, tends to corrupt its possessor, but it does not follow that it must necessarily do so.

It seems hardly necessary to examine the tendency of other forms of noncoercive power to corrupt self. That the tendency exists, and if yielded to is self-destructive, comes clear with reflective thought. This is the rule for me to keep in mind and adhere to: Authority and responsibility must always be kept in balance if the psyche – mind, soul, spirit, in a word, *I* – is to remain in balance and, thus, uncorrupted.

This brings me to that form of power which a person or a group possesses only by reason of having a gun or a constabulary. It is the power to compel compliance, compulsion resting on violence or the threat thereof.[4] I will omit any

[4] For an explanation of how absolute refusal to comply with governmental edicts results in death, see Chapter III in my *Anything That's Peaceful* (Irvington, N. Y.: Foundation for Economic Education, Inc., 1964. $2.50 paper; $3.50 cloth.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

discussion of how this kind of power corrupts when exerted privately, as in piracy and the like, and confine my reflections to how it would or would not corrupt me were I a part of society's organized police force, namely, government. It is in this realm that absolute power is most nearly approached and absolute corruption most seriously threatened.

The Power of Compulsion for Defensive Purposes

The mere possession of a gun by a person, or the backing of a group by a constabulary, does not, in itself, corrupt. As long as the gun hangs on the wall or the constabulary remains "at ease," all's well and good. Nor are any corruptive tendencies implicit in the use of this power to fend off the aggressive actions of another or others. The power, when thus held in check, can be no more than a secondary action of defense; it remains quiescent except when triggered by an aggressive or offensive action. Such a limitation of the organized police force is what I mean when referring to a *government of limited power.*

Individuals owning guns for defensive purposes will, for the most part, leave them hanging on the wall. The possession of this power to do violence rarely tempts them to aggressive action and, thus, the power does not tend to corrupt them. For instance, though the owner of firearms might feel a deep compassion for a poverty-stricken friend, he would hesitate to turn himself into a holdup man as a means of raising money. He would give of his own goods or let the matter pass. Few Americans personally would resort to armed robbery to pay farmers not to grow wheat, or to subsidize TVA or mail delivery, or to provide medical care, or to secure the financial welfare, the material security, or the prosperity of "the poor." Not only can most people see the utter fallacy of such thievish means when practiced personally, but the mere thought of the practice does grievous offense to their moral scruples. Kept to the personal dimension, gun power shows little tendency to corrupt.

Collective Irresponsibility

But let these very same people, upright when acting on their personal responsibility, organize themselves into a political collective, backed by gun power, and they become "wolves and hounds" *intent upon "snatching the carrion"*! Among men so organized, the tendency to corruption is enormous. To illustrate: the president of a corporation and the chairman of his city's largest private hospital said to me, "I agree

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with you in principle, but I must, of course, ask that Federal aid be extended to our hospital. We're short of beds."

"Would you personally raise the money by violent action or the threat thereof?" I asked him.

"Of course not," was his reply. "I'm no gangster."

This man's likeness is numbered in the millions – our "best citizens" who would never personally pull the trigger, but whose lack of principle is clearly revealed when they encourage the government to rob countless unidentified Peters to subsidize their own selected Pauls. It is hard to believe that a man knows what is right when he persists in practicing the opposite.

Shifting the Blame

What goes on here? Why will a person enthusiastically embrace a procedure in collective action that is repulsive to him as private action? Why this double standard of morality? Why will the possession of gun power by an individual not tend to corrupt while its possession by a collective will tend to corrupt the individual members?

There must be more reasons than I can ferret out. One, of course, is the myth that an act, regarded as evil if privately committed, is rendered virtuous if sanctioned by a majority. This hocus-pocus leads careless thinkers to believe that an acknowledged evil can be transmuted into a positive virtue.

Then, there is that absolution the thoughtless individual feels when an act is committed, not in his name, but in the name of some collective nouns such as humanity, society, the common good, and the like. He somehow finds in these abstractions a sanctuary from personal responsibility. He gains anonymity behind a façade of words – or so he irrationally concludes.

The mob strings up Joe Doakes by the neck. No mobster thinks of himself as having committed the act. "The mob did it." Yet, how can a three-lettered abstraction hang a man? Every party to the act hanged Joe Doakes.

And every party to any unprincipled act of government is as personally responsible as if he had done this deed himself. Mere legality does not confer moral absolution; legality merely confers penal absolution and may be but a cover for gross corruption.

The Real Source of Corruption

This line of thought reveals an error which I, among others, have been making. Henry Adams, for example, in the quotation previously cited, associates corruption

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the coercive power held by Presidents. And note how Plato in *The Republic* singularizes the evil effect by his use of the word, "tyrant," inferring that it is only the head of state whose power to use violence leads to corruption:

> He who is the real tyrant, whatever men may think, is the real slave, and is obliged to practice the greatest adulation and servility, and to be the flatterer of the vilest of mankind. He has desires which he is utterly unable to satisfy, and has more wants than any one, and is truly poor . . . all his life long he is beset with fear and is full of convulsions and distractions . . . Moreover . . . he grows worse from having power: he becomes and is of necessity more jealous, more faithless, more unjust, more friendless, more impious, than he was at first; he is the purveyor and cherisher of every sort of vice, and the consequence is that he is supremely miserable. . . .

When Edmund Burke wrote, "There never was for any length of time corrupt representation of a virtuous people . . . ," he correctly affirmed what I and so many others have been overlooking, namely, that a corrupt head of state presupposes a source of the corruption: numerous corrupt citizens. The tyrant's corruption stems from popular conferments, some of which are outright demands for the employment of coercive powers. In the instance of such persons as the hospital chairman—who wouldn't think of taking violent action personally—these demands are to some extent innocent in the sense that their sponsors know no better. Their limited reasoning abilities prescribe the limitation of what is self-corruptive.

The Sin of Silence by Those Who Know

But other conferments from the people to the head of state are made by those who give assent by silence. In the case of individuals who have acquired the ability to think for themselves, this may be the more self-corruptive of the two offenses. For instance, if I alone can see an impending disaster and fail to sound the alarm for fear of endangering my own position, my silence is more corruptive of me than are the overt acts of those who, in their naivete, initiate the disaster. The more abundant one's endowments, the greater the potentiality of self-corruption: "Lilies that fester smell worse than weeds."

In any event, I must never entertain the dangerous notion that the tendency of power to corrupt applies only to the man out front and, by so doing, exclude myself and others from this tendency. We are the truly responsible ones and, thus, the very ones who are

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exposed to the most damaging sort of corruption.[5]

Self-Responsibility

The above puts the responsibility where it belongs: up to each *I*. When I ask the government to dictate how people shall act creatively, that is, when I acquiesce or join in the demand for subsidies, for wage and price and exchange controls, for Federal aid of this or that variety, for any of the current rash of political interventions, I am as power drunk as the ruler put in the vanguard at the bidding of me and my kind. A fraction is inextricably bound to the whole of which it is a part.

"As a man thinketh in his heart, so is he." This is to say that thought is the genesis of action: an evil thought is just as self-corruptive as an evil action is destructive of others. Clearly, corruption of me follows as swiftly on the heels of my advocacy of coercive power as it does on the exercise of it by the head of state. Thus, if I wish to learn how this kind of power corrupts me, if I am an advocate of it, I need only take note of how it corrupts the head of state, the administrator of it. I can review Plato's "tyrant" and obtain an accurate reflection of what is happening to me.

To grasp the importance of the fact that power corrupts the advocate as well as the administrator of it, merely envision millions of corrupt individuals, each of whom sees corruption only in the person he and others have made their ruler, and suspects not the slightest corruption in himself. These weird spectacles are to be observed daily at national, state, municipal, and neighborhood levels and they are made up of workers, farmers, preachers, teachers, businessmen—ourselves and our friends. Not an occupational category can claim exemption.

Audit any board or committee gathering—private or political—that takes positions on public policies. Note the absence of introspection as to the quality of their own thinking. That they might have some intellectual and physical shortcomings themselves is seldom considered. Then note how readily these persons will importune the government for special privileges which are possible only

[5] That corruption also befalls those who suffer the effects of coercive power is conceded. But it is not power which corrupts them, for they don't have it. Their corruption is induced by a political inhibition of their creative faculties, or by accepting something for nothing, or by a lessening of responsibility for selves, or by adapting themselves to a sheep-like way of life. To coin a term, they become "unpersons," bereft even of evolutive powers. Their corruption comes as a by-product of the wielding of coercive power. That's at the root of their corruption.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

by extortion, a practice not one of them personally would indulge. A common occurrence, in such a meeting, is to ask for a Federal grant in one resolution and for a reduction of governmental expenditures in the next! Here we have a failure to grasp that in each individual instance, *I am my responsibility!*

Yes, I am my responsibility. As I relate myself to the corruptive tendencies of power, I have noted that power falls into two contrasting categories as different from each other as black and white. There are, on the one hand, the various noncoercive powers such as purchasing power, the power to attract emulation, and the like. On the other hand, in a class by itself,, is coercive power – the power to shape or influence the lives of others by violence or the threat thereof. Analysis reveals that both kinds of power have corruptive tendencies.

Disciplining Oneself

However, overcoming the tendency of noncoercive powers to corrupt is not an insurmountable problem. There is no one of these powers but what I would increase if I could, for their acquisition spells growth, emergence, "hatching." I need only understand that the growing authority which these powers bestow must be managed by a commensurate increase in self-responsibility. I need to keep firmly in mind my life's purpose, lest I lose or pervert it. The self must be disciplined to the point where it never yields to the temptation to abuse newly acquired authority. If I cannot manage an authority-responsibility balance, I am not a fit prospect for these powers, nor will I long enjoy them. Indeed, proper management of enhanced powers is itself one of the challenges by which human beings improve or grow in stature.

"Many are called but few are chosen." Countless individuals are given a trial with these noncoercive powers but, if unworthy, are unable to retain them. Indeed, the slightest failure of responsible conduct induces self-corruption—unfitness—and, thus, puts an end to the powers.

The development of noncoercive powers is consonant with life's highest aim. The dangers of corruption, while very real, are subject to self-management or self-discipline, and, these, also, are powers consistent with life's purpose. But what about coercive power? How can its tendency to corrupt be averted? The answer is so simple it needs no analysis: never invite or accept this form of power in the first place!

Acceptance of coercive power, that is, adopting violence or the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

threat thereof to reshape the creative activities of others, goes beyond the tendency to corrupt; *corruption is coincidental with acceptance.* But even more: any time any person so much as entertains the notion of a personal competence to control the creative activities of others, he imagines himself in the creator role; whereas, in reality, he is but another human being, as ignorant as the rest of us of his own creation. This wholly fanciful omniscience is a divorcement from reality; it results in such an overassessment of self that knowledge of self fades into nonexistence. *The acceptance of this form of power and its attendant destruction of self-knowledge and self-discipline is itself the corruption.*

The corruption implicit in an acceptance of coercive power is unmanageable. For this is a type of authority that can have no balancing responsibility. To illustrate: when the aforementioned hospital chairman feathers his nest by plucking millions of others, how, conceivably, can he be responsible for them? Coercive power, once unleashed, is an authority that is all sail and no anchor; it is without map or compass.

In summary, noncoercive power tends to corrupt and coercive power is itself corruption. Bending to the tendency of the former or acceptance of the latter brings on a warping of the psyche, a flight from reality, a loss of integrity, an unfitness to fulfill my highest purpose.

Noncoercive power is subject to self-management; that is, I can contain the tendency, keep it under self-control. But coercive power, because it is itself corruption, is beyond self-management.

When I achieve noncoercive powers and fail to manage them, or when I employ or endorse or passively accept coercive powers which are unmanageable, I break faith with life's purpose, divorcing self from growth, evolution, emergence. *This is disintegrative, the end of which is corruption.*

To keep faith with self, I must take instruction from whatever my highest conscience reveals as right. This may not, in fact, be The Answer, but is as close to it as I can get. *This is integrative, the end of which is integrity.*

Be it noted that when I break faith with self I thereby lose that quality in my constitution which restrains me from breaking faith with others. *I am my responsibility!* ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITOR'S NOTE: *At the French Legislative Assembly's session of April 1, 1850, during the discussion of the budget for tax-supported schools, M. Mortimer-Ternaux, one of the Representatives, proposed an amendment to decrease by 300,000 francs the state expenditures on* lycées *and* collèges, *institutions attended by children of the wealthier families. The amendment to decrease the subsidy lost by a small margin. Bastiat's letter, published the following day in a newspaper, expresses his opinion on the vote.*

Readers will note that the popular American attitude toward such matters has changed since Bastiat described it in 1850. This makes it more important than ever to review what he said.

To the Democrats

FREDERIC BASTIAT

No, I am not mistaken; I feel, beating within my breast, a democratic heart. How, then, does it happen that I find myself so often in opposition to those who proclaim themselves the exclusive representatives of democracy?

Yet we must understand one another. Has this word two opposite meanings?

For my part, it seems to me that there is a connection between the aspiration that impels all men towards the improvement of their material, intellectual, and moral condition, and the faculties with which they are endowed to realize this aspiration.

Hence, I should like each man to have, on his own responsibility, the free disposition, administration, and control of his own person, his acts, his family, his transactions, his associations, his intelligence, his faculties, his labor, his capital, and his property.

This is how they understand freedom and democracy in the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

United States. There each citizen is vigilant with a jealous care to remain his own master. It is by virtue of such freedom that the poor hope to emerge from poverty, and that the rich hope to preserve their wealth.

And, in fact, as we see, in a very short time this system has brought the Americans to a degree of enterprise, security, wealth, and equality of which the annals of the human race offer no other example.

However, there as everywhere, there are men who do not scruple to violate for their personal advantage the freedom and property rights of their fellow citizens.

That is why the law intervenes, through the instrumentality of the public police force, to prevent and repress such aggressive inclinations.

Everyone cooperates, in proportion to his means, in the maintenance of this force. This is not a case, as has been said, of *sacrificing a part of one's liberty to preserve the rest;* it is, on the contrary, the most simple, just, efficacious, and economical means of guaranteeing the freedom of all.

And one of the most difficult problems of politics is to keep the trustees of this public police force from doing themselves what they are charged with preventing.

The French democrats, so it seems, see things in an entirely different light.

Undoubtedly, like the American democrats, they condemn, reject, and hold in contempt the acts of plunder that citizens might be tempted to commit on their own authority against one another — every act of aggression committed against the property, labor, and freedom of one individual by another individual.

But plunder, which they reject between individuals, they regard as a means of equalizing property, and, consequently, they entrust plunder to the *law,* to the *public police force,* which I thought was instituted to prevent it.

Thus, while the American democrats, having empowered the public police force to punish individual plunder, are very much concerned that this force should not itself become spoliative; the French democrats, on the contrary, make of this force an instrument of plunder, which seems to be the very foundation and essence of their system. . . . Consequently, they have demanded and obtained a law that, by taxes on drinks and salt, takes money from the poor parents of 290,000 children, to be distributed to them, the rich parents, by way of gratuity, encouragement, indemnity, subsidy, etc., etc.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

M. Mortimer-Ternaux has demanded that this monstrous situation be brought to an end, but he has failed in his efforts. The extreme Right finds it very convenient to make the poor pay for the education of rich children, and the extreme Left finds it very politic to seize such an occasion to have the system of legal plunder established and sanctioned.

At which I ask myself: Where are we going? The Assembly must direct itself by some principle; it must commit itself to justice everywhere and for everybody, if it is not, in fact, to rush headlong into the system of legal and reciprocal plunder, to the point of completely equalizing all classes, that is, to the point of communism.

Yesterday it declared that the poor must pay taxes to relieve the rich. How can it have the cheek to reject taxes that will soon be proposed to it to "soak the rich" in order to relieve the poor?

For my part, I cannot forget that when I presented myself before the voters, I said to them:

"Would you approve a system of government which was based on the following arrangement: You would have the responsibility for your own existence. You would demand, in exchange for your labor, your effort, and your industry, the means of feeding, clothing, lodging, and enlightening yourselves, of attaining affluence, well-being, and perhaps prosperity. The government would concern itself with you only to guarantee you against all disturbance and unjust aggression. For its part, it would ask of you only the very modest tax indispensable for accomplishing this task."

And all cried out: "We ask nothing else of it."

And now, what would be my position if I had to present myself anew before those poor farmers, those honest artisans, those fine workers, to say to them:

"You are going to pay more in taxes than you were expecting to pay. You are going to have less freedom than you hoped for. It is to some extent my fault, for I have departed from the system of government you had in view when you elected me. On April 1, I voted for an increase in the tax on salt and drinks, in order to come to the aid of the small number of our countrymen who send their children to the state schools."

Whatever happens, I hope never to put myself in the sad and ridiculous position of having to make such a speech to those who have placed their trust in me. ◈

From Bastiat's *Selected Essays on Political Economy*, Copyright 1964, D. Van Nostrand Company, Inc., Princeton, New Jersey.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE *Creative* INDIVIDUAL

HENRY GRADY – or Buck – Weaver, whose *The Mainspring of Human Progress*, originally copyrighted in 1947, has just been reissued by the Foundation for Economic Education, was head of the Customer Research Staff of General Motors, and a great one for emphasizing the causal relationship between individual human liberty and the proliferation of goods and services that go to create the affluent society. He was one part thinker, one part businessman, and one part evangelist – and he cared more for getting an idea over to his public than he did for claiming any particular pride of authorship. His *Mainspring*, actually, was a collaborative effort in that much of it consisted of a condensation of Rose Wilder Lane's *The Discovery of Freedom*. However, Buck Weaver added a good deal of material deriving from his own experiences and from his own extensive reading. He was a great Frederic Bastiat man – and Bastiat, the French enemy of all collectivisms, perhaps guided the composition of *Mainspring* as much as did Mrs. Lane.

Weaver, who had been disciplined by his life as a supersalesman for General Motors, was an accomplished simplifier. He wanted to get through to the average man and woman. He was, essentially, the popular broker of an intellectual movement that started during World War II as a series of mysterious trickles. Those were years of groping. The New Deal had come – and gone – without wiping up the big pools of unemployment. The war itself seemed the product of a collision of states which had, in their various ways, gone over to the doctrines of central planning and the idea that citizens (or subjects) must be directed by arbitrary authorities for their own good. I remember feeling hungry for something that would prove the futility and wrong-headedness of everything that had been in vogue since 1932.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Suddenly, there seemed to be a general touching of hands all around. Isabel Paterson, a tough-minded literary critic and novelist who had been an enemy and had become a friend, called me one day in 1944 and asked if I would like to meet a man named Leonard Read. We had a talk in a Manhattan hotel room about the sources of human energy. Leonard had been arguing out on the Pacific Coast that man was a natural self-starter, responsible for the disposition of his own energy on projects of his own choice. Isabel had just published her *The God of the Machine,* which proved with mathematical rigor that high-energy economies are incompatible with collectivist or interventionist regimes. The meeting with Leonard Read led to other introductions. Ayn Rand was just beginning her astounding career as a writer of fictional parables – that's what Isabel Paterson called them – designed to prove the self-starter point. Leonard knew businessmen who wanted to know writers who supported the freedom philosophy, and I heard his friend, Jasper Crane, a member of the du Pont Company, talk approvingly of Rose Wilder Lane's *The Discovery of Freedom.*

A few years passed, and the trickles had become a river. The Viennese economists, Mises and Hayek, were welcomed in this country and found their natural allies in Henry Hazlitt, Aaron Director, John Davenport, and Lawrence Fertig. Leonard Read formed the Foundation for Economic Education. And Buck Weaver, taking a bit here and a bit there, quoting from Isabel Paterson, and relying on the historical vistas unfolded in Rose Wilder Lane's book, did his great job of synthesis. It seems fitting that the Foundation for Economic Education should now be bringing it out again with some changes suggested by Buck Weaver just before his death.

The Nature of Man

Weaver doesn't write as an orthodox supporter of any religion. But he sees man as a mysterious entity who, to some extent, shares the faculties of his Creator. Men have wills, they dispose of energy. If they are not coerced or cowed they are inventive, they make tools, they transform their environments within certain physical limits. This is all part of their nature as men. But men can deny their own creativity, and have frequently done so in the course of checkered human history. Mr. Weaver speaks of the pagan ages in which men believed in sacrificing the individual to the "higher" good. The pagans saw

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the universe ruled by the whims of a variety of gods. They were used to thinking of man as something that was controlled by some Authority outside himself. And, with this submissive psychology, pagan man let those who claimed to be priests of the gods take over the direction of his energy.

The triumph of the Christian view of life released the human being from the will-of-the-swarm pagan idea. Following Rose Wilder Lane's schematization, Weaver tells of the three attempts to found a civilization based on the idea that man is free to do good or evil in the sight of God. The first attempt took place in ancient Israel, where Abraham insisted that man controls himself and Moses brought the Ten Commandments – each of which is addressed "to the individual as a self-controlling person" – to the Israelites after their escape from bondage in Egypt.

The Saracen Contribution

The first attempt failed within the boundaries of ancient Israel, but Christ spoke to the individual, and the Christian church became the carrier of the ideas of Abraham and Moses through the feudal age to the present. Meanwhile, the Saracens took over the idea that man is a self-starter.

When I first read Rose Wilder Lane's story of the rise of the Saracenic civilization, I had a hard time squaring it with the apathy of the Moslem lands as they exist today. Her accounts of the rise of the great Saracen universities, from Persia and Cairo to Spain, was an eye-opener. It seems that these universities had no organization, no program, no prescribed curriculum, no departments, no examinations. People enrolled to study as they willed, and went to listen to the teachers that appealed to them. Whatever the effect of such permissiveness on the whole body of students, the Saracen scientists came up with the concept of zero, which makes modern mathematics – and, indeed, the whole of modern civilization – possible. Without zero there would be no modern engineering, no chemistry, no measurements of substance or space.

The Rose Wilder Lane view of the Saracens is endorsed by Henry Grady Weaver. It makes one almost wish that Charles Martel hadn't beaten back the Moors at the Battle of Tours, which saved northern Europe from a conquest by Mohammedans. But the military defeat of the Saracens hardly mattered, for the western Christianized world took over much that the Saracens had developed. As Mrs. Lane and Mr. Weaver both put it, the freedom of the Saracen

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

world seeped into Europe via Spain and Italy even as the Saracens themselves were being pushed back to the African side of the Mediterranean.

An odd perspective offered by Weaver is that the chivalric behavior of Saracens in the Holy Land was imitated by English Crusaders, and became the basis for the British code of the gentleman. The liberties that the chivalric English gentleman permitted were exported in time to the British colonies in North America. In defending these liberties against the repressive government of King George III, the colonists launched the third great attempt to build a civilization on the idea that every human being is a free agent, responsible to himself for the right disposition of his energies.

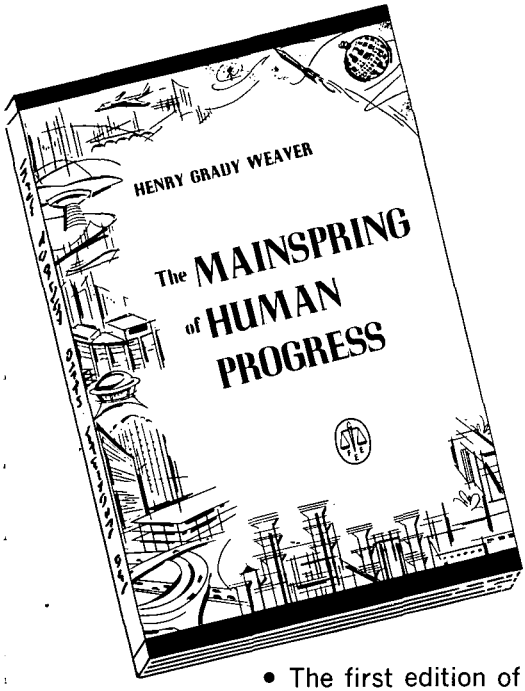
It's a great story that Mr. Weaver has to tell, but it is far from being the story that is generally accepted today. However, the idea of freedom is on the march. There were only a few of us to champion the idea that man is a self-starter back in 1944, when Isabel Paterson and Rose Wilder Lane were first being read. But today the freedom movement, which is sometimes called the conservative movement, is really percolating. "Buck" Weaver would be surprised at the extent of his modern public. ◈

IDEAS ON LIBERTY ***The Rewards of Competition***

The following explanation of the significance of open competition was offered at the presentation of a $2,000 scholarship at a recent Junior Achievement award dinner in Seattle:

> "The fact that there is but one scholarship to be given to the best in 500 membership has in itself created a situation where each student has put forth his very best in time and effort to endeavor to win. Think a moment, of the motivation to you students, if we lived under socialism's idealistic concept of equality for all — and the award had been announced as 500 scholarships worth $4.00 each."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



NOW AVAILABLE

in a new, attractive, low-priced paperback:

Single copy	**$ .95**
3 copies	**2.00**
10 copies	**6.00**
100 copies	**45.00**

Also available in standard clothbound volume, $2.50

• The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

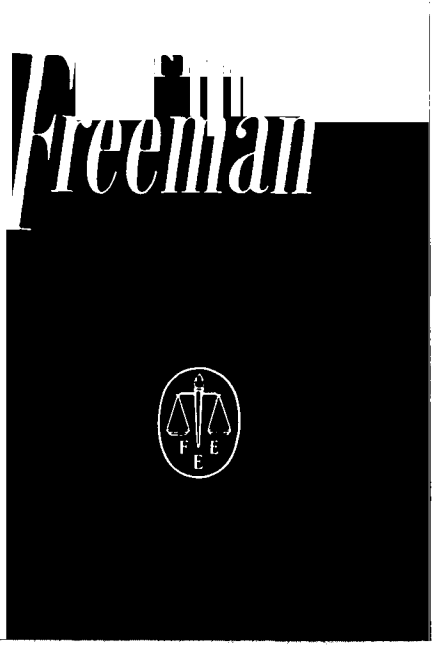
One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

HUMAN PROGRESS

■ Progress lies in working in harmony with the fundamental nature of man, not in reverting to the pagan superstition which, for over 6,000 years, has suppressed individual initiative and kept human energy in a strait jacket. . . .

It is difficult for Americans to understand the stagnating effects of regimentation and how it leads to greater and greater oppressions. It is generally outside the range of our experience because we have lived in a new kind of world where human energy and initiative have usually worked under the natural control of the individual — which is the only way that they can ever work effectively.

HENRY GRADY WEAVER, The Mainspring of Human Progress

To: _____

_____
street

_____
city state zip code

PLACE 5-CENT POSTAGE HERE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED